FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 28,933 Tuesday November 23 1982 D 8523 B

World agriculture: squeeze behind surplus, Page 14

NEWS SUMMARY

GENERAL

Reagan proposes missile cluster

President Ronald Reagan proposes to deploy a cluster of 100 controversial MX nuclear missiles in specially toughened silos in Wyoming to meet what he called a "relentless Soviet military build-up."

He said in a letter to Congress that the deployment plan, called "Dense Pack" by the Defence Department, was aimed at improving the credibility of the U.S. nuclear deterrent and encouraging the Kremlin to negotiate meaningful arms control measures.

He announced the decision before last night's television address to explain his arms build-up and to ask the new Soviet leaders to work with him to reduce the risk of accidental war.

Three ships hit

Oil companies denied claims made at the weekend that Iraqi attacks by sea and air had sunk five tankers off the main terminal at Kharg island. Page 16

NZ Minister for Iran

New Zealand's Warren Cooper will this month become the first Western foreign minister to visit Iran since the establishment of its Islamic republic in 1979. He will discuss Iran's system of payments for New Zealand imports.

Guard is hijacker

One of three security guards aboard a Polish internal flight turned hijacker and ordered the aircraft to land at the U.S. Air Force base at Tempelhof, West Berlin.

German MPs quit

West German MPs Helga Schuchardt and Friedrich Hölscher resigned from the Free Democratic Party in protest at its decision to break its alliance with the Social Democrats and link with the Christian Democrats.

France cuts benefit

France is to cut about 13 per cent of the FFr 94bn ($13.07bn) budgeted for unemployment benefits next year. Page 16

Arms cache found

A French hunting party found buried near Toulouse a Soviet-made antitank rocket launcher, guns, ammunition, and lists of foreign military attaches in France.

Albanian promotion

Ramiz Alia was elected Albania's head of state in succession to Haxi Lleshi, who held the post for nearly 30 years. Mr Alia is believed to be being groomed to be deputy to veteran party chief Enver Hoxha

Israel drops pledge

Israel is dropping its demand that foreign teachers in West Bank universities sign a pledge not to support the Palestine Liberation Organisation

Brazilian switches

Brazil's opposition parties won the state governorships of the three most important states, Sao Paulo, Minas Gerais, and Rio de Janeiro, in the national elections, which have not been completed. Page 5

Mayor in custody

Jose Mezquida, mayor of La Junquera, near Spain's French border, was arrested by order of a Barcelona magistrate on suspicion of illegally exporting $350,000.

Briefly . . .

Martina Navratilova, the tennis player, is seeking to visit her family in Czechoslovakia, which she left in 1975

Britain's Queen Mother, aged 82, underwent an operation after a fish bone stuck in her throat.

BUSINESS

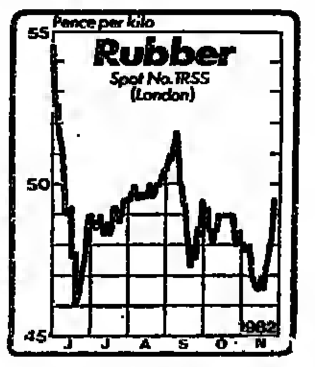
Volvo raises profits by 95%

● VOLVO, the Swedish car maker and engineering group, increased profits by 95 per cent in the first five months to SKr 1.93bn ($257m). Page 17

● DOLLAR edged up to DM 2.544 (from Friday's DM 2.5425) and SwFr 2.189 (SwFr 2.18), but slipped to FFr 7.1925 (FFr 7.195) and Y254.65 (Y257.65). Its Bank of England trade-weighted index dropped from Friday's 124.1 to 123.9. Page 30

● STERLING fell 3 cents to $1.5945, its lowest closing level for six years, and dropped to DM 4.06 (DM 4.135), FFr 11.465 (FFr 11.685), SwFr 3.4925 (SwFr 3.5425) and Y406.25 (Y418.75). Its trade-weighting fell from 88.4 to 86.7. Page 30

● GOLD declined $10.5 in London to $408. In Frankfurt it fell $10 to $407.75, and in Zurich by $10 to $408.5. Page 23



● RUBBER prices went up in London, with the No 1 ribbed smoked sheet spot price 1.25 up to 49.5p (79c) a kilo. Coffee and sugar prices also advanced, but there was little change in copper, and cocoa finished only marginally higher. Page 23

● LONDON: FT Industrial Ordinary index fell 7.6 to 617.9. Falls on Government Securities averaged more than 1 per cent. Page 25

● WALL STREET: Dow Jones Index closed 21.25 down at 1000. Page 24

● TOKYO: Nikkei Dow index rose 46.64 to 7,901.56 and the Stock Exchange index advanced 4.33 to 579.83. Page 24

HONG KONG: Hang Seng index fell 18.35 to 801.7. Page 24

● AUSTRALIAN all-shares index eased by 2.1 to 500.9. Page 24

● FRANKFURT: Commerzbank index improved 3.6 to 731. Page 24

● SWEDEN is to reconstruct state holding company Statsföretag, putting the mining, steel, and forest industry divisions, which have been suffering the heaviest losses, under separate administration. Page 17

● BRITAIN'S coal industry could be exporting between 10m and 20m tons a year by 1990, probably twice the present level, says a report on the European industry. Page 7

● MALTA has banned imports of a wide range of goods, including jeans, leather goods, imitation jewellery and shampoos.

● JAPAN'S 13 "city" banks, the main commercial banks, increased profits by just over 30 per cent in the six months ended September. Page 19

● TAIWAN has substantially lifted the ban imposed earlier this year on Japanese goods.

● METAL BOX, of the UK, Europe's largest packaging group, expects to make further job cuts, after reducing staff by 9,500 to 24,000 in two years. Pre-tax profit for the half ended September was 21.3 per cent down at £14m ($22.3m) on sales 10 per cent higher. Page 16; Details, Page 20

● WESTLAND-UTRECHT, the Dutch mortgage bank which needed institutional aid of Fl 300m earlier this year, reported a net loss of Fl 33.1m ($11.9) in the first nine months. Page 18

How Volcker's 'cabinet' guides the U.S. economy

BY ANATOLE KALETSKY IN WASHINGTON

Mr Paul Volcker

WHAT is the second most famous painting in the world?

There is no surer way of stirring up an argument when conversation flags at a dinner party than to ask this question. Everyone agrees that the first place goes to the Mona Lisa. But what comes next – the Last Supper, or Botticelli's Venus, or perhaps the Creation of Adam in the Sistine Chapel?

The same game could be played in the U.S., until recently, by asking Americans to name the second most powerful man in their country after the President.

In the past year, however, the answer to this question has become boringly predictable. Americans in all walks of life now seem to agree overwhelmingly with the poll conducted in the summer among elite businessmen and "opinion formers," which put Mr Paul Volcker, chairman of the Federal Reserve Board, way ahead of the field and not far behind President Ronald Reagan himself.

In fact, Mr Volcker is by no means the absolute monarch he is often thought to be, even over his own domain of monetary policy. Although he is more independent from direct political pressure than almost any other central banker in the world, he shares his authority with a sort of monetary cabinet of 12 individuals who are far more independently minded, and therefore perhaps even more powerful, than the cabinet ministers who meet at the White House under the chairmanship of Ronald Reagan.

This cabinet is the Federal Open Market Committee (FOMC). It is a body constituted by Congress in the Federal Reserve Act to make the key decisions on the provision of reserves to the U.S. banking system through so-called "open market operations" in the New York money market, which are the most important determinant of interest rates and the availability of credit to the American economy.

The real power of the FOMC has only gradually been dawning on the public as the world has begun to respond to the monetary policy changes initiated at the FOMC's last four meetings, beginning with the one held on July 1. That was followed by Mr Volcker's first clear hints that the Fed's efforts at rigid adherence to its monetary targets would have to be relaxed and, about a month later, by the biggest bond and stock market boom experienced on Wall Street.

The FOMC's composition derives from the peculiar structure of the U.S. Federal Reserve System. Unlike the central banks of other countries, the Fed is actually not a single institution but a "system" of 12 quasi-independent regional bodies – the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St Louis, Minneapolis, Kansas City, Dallas and San Francisco. Each has its own board of directors, full-time president and staff. The system as a whole is supervised and co-ordinated by a seven member Board of Governors in Washington, of which Mr Volcker is chairman.

The FOMC's membership con-

Continued on Page 16

Andropov sets out firm line on U.S.

BY ANTHONY ROBINSON IN MOSCOW

MR YURI ANDROPOV, the new Soviet Communist Party leader, said yesterday that Moscow was not prepared to make any preliminary concessions to improve relations with the U.S.

Mr Andropov, addressing a plenary session of the party central committee, singled out arms control with the West and closer co-operation with the Socialist community – including China – as the main priorities of foreign policy. More effective work and greater discipline at home were other major themes.

He made clear in his first major speech as the General Secretary of the party that the Soviet Union would be a tough bargainer in future arms control negotiations.

"Military rivalry is not our choice," he said but went on to underline that the Soviet Union was not prepared to pay for normalising relations "with some sort of preliminary concessions in different fields."

In a passage clearly aimed at the U.S., he added: "We have nothing to cancel. We did not introduce sanctions on anyone, we did not denounce treaties and agreements that were signed and we did not interrupt talks that were started. I should like to stress once more that the Soviet Union stands for accord, but this should be sought on the basis of reciprocity and equality . . . but let no one expect a unilateral disarmament from us. We are not a naive people."

At times Mr Andropov laced his speech with irony. "The death of Leonid Brezhnev caused a lot of conjecture abroad concerning future policy . . . just think how many attempts have been made to ascribe to the Soviet Union all kinds of sinister intentions, to portray our policy as aggressive . . . but oow it turns out they worry lest this policy *might be changed*," he said to applause.

Mr Andropov then weot on to assure his audieoce that "foreign policy bas been and cootinues to be that determined by the decisions of recent party coogresses . . . The primary concern of our party continues to be the strengthening of the Socialist community. In unity lies our strength."

Then be underlined the point: "We wish for the improvement of relations with all Socialist countries; this also refers to our great neighbour China. We pay great attention to every positive response from the Chinese side," he added.

Although foreign policy took up half of Mr Andropov's speech, he started by devoting his attention to domestic matters and particularly to the poor performance of many sectors of the economy. He drew at-

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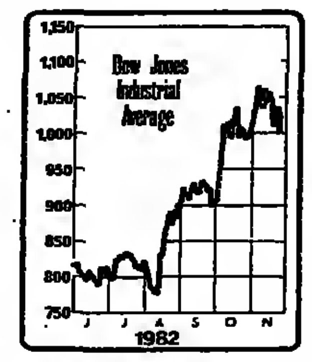
U.S.-Soviet trade talks, Page 6



Wall St falls to 1,000; prime cut

By Our New York Staff

THE New York stock market yesterday ignored a ½ percentage point reduction in the prevailing U.S. prime rate and suffered one of its biggest single-day losses in recent weeks, sending the Dow Jones industrial average 21.25 points lower to close at exactly 1,000.

Although most of the country's main banks lowered their prime lending rate by half a percentage point to 11½ per cent yesterday in response to the latest half-point reduction in the Federal Reserve's discount rate to 9 per cent last Friday, the markets in New York appeared already to have discounted the declines in the discount and prime rates.

The latest round of prime rate cuts was led by Chase Manhattan which was followed by all the other large New York banks, including Citibank, Morgan Guaranty, and Manufacturers Hanover, as well as major banks across the country from Bank of America in San Francisco and Continental Illinois in Chicago.

Many brokers said that the stock market's long-awaited correction appeared finally to have arrived and the majority expected the market to continue to move lower in coming days with the Dow blue-chip indicator declining to the 960–980 level. But the consensus continues to regard the stock market as a bull market.

The reduction in the discount rate announced last Friday afternoon and the consequent cut in the prevailing prime rate was regarded in the stock market as more of a disappointment than a boost. "The market was disappointed that the discount rate, which had been in the works for so long, took weeks to come," Ms Hilde Zagorski, of the Wall Street firm of Prudential-Bache, said last night, adding that the market had also hoped for a cut of more than ½ point in the discount rate.

A further blow to the stock market came with the surprise announcement as the market closed that short interest on the New York Exchange fell by 1.7m shares in the latest-four week period. This is traditionally regarded as a bearish sign by stock market technicians, who had generally expected short interest to rise again in the latest period.

● Sterling came under further pressure in London yesterday, where it closed at $1.5945, down 3 cents on the pre-weekend close. Its trade-weighted index, as measured by the Bank of England against a basket of currencies, fell to 86.7, from 88.4

UK faces its first deficit on manufactured goods

BY MAX WILKINSON IN LONDON

BRITAIN is heading for its first peacetime deficit on trade in manufactured goods for more than a century, according to official figures released yesterday.

They show that the balance of trade in manufactured goods swung from a surplus of £2.6bn last year to a deficit of £125m ($200m) during the first 10 months of the year.

Only five years ago in 1977, the value of Britain's manufactured exports was worth 25 per cent more than the equivalent imports, and the surplus on this trade earned £5.2bn at current prices.

In spite of the relative decline of Britain's industrial performance, this surplus remained from the days when large-scale exports of manufactured goods were required to pay for food imports.

During the last three years, however, the surplus on manufactured goods has been replaced by earnings from North Sea oil.

In the first 10 months of this year, the trade surplus earned on oil was £7.43m which compares with a total surplus on the current account of the balance of payments of £3.95bn for the period.

The deteriorating trade performance of the UK's manufacturing industry is one of the main reasons for the expected reduction of last year's current-account surplus of £6bn to about £3.5bn this year. For next year, the Treasury is forecasting that the surplus will have dwindled to zero.

Yesterday's figures show, however, that the surplus on the current account for October is estimated to have been £459m, about £20m more than in the previous month.

Recent overall figures have been strongly underpinned by oil trade, however. In the three months to October, exports of oil rose by £400m while deliveries of manufactured goods overseas fell by £168m.

In the three months to October the volume of all non-oil exports fell by 3 per cent compared with the previous three months, while the volume of non-oil imports was up by 1 per cent.

These non-oil exports in August to October were running at about 4 per cent below their 1980 level while non-oil imports were 12 per cent above their volume in 1980.

The volume of exports of manufactured goods fell by 6 per cent between 1980 and the three months to October, while the volume of manufactured imports rose by 12 per cent in the same period

Motor industry deficit, Page 8

EEC quest for unity at Gatt

BY GILES MERRITT IN BRUSSELS

THE EEC Council of Ministers will meet in special session in Geneva on Thursday in a bid to present a united opposition to proposals before the General Agreement on Tariffs and Trade (Gatt) ministerial negotiations, which could restrict Community trading rights.

The decision to hold an extraordinary session of the EEC Trade Ministers' Council came after the Ten had yesterday made plain that important elements of the Gatt ministers' communique being urged by *some of the 88 countries involved* were "unacceptable" to the European Community.

The need for the meeting also reflects the internal divisions that yesterday still prevented the Trade Ministers of the Ten from reaching a fully common position.

There are some six issues of future trade policy that separate the EEC from agreement with other Gatt signatories such as the U.S and newly industrialised Third World countries. Of those six, three are still the subject of disagreement in the EEC.

M Michel Jobert, France's Foreign Trade Minister, yesterday emerged as the most vocal of those in the EEC Foreign Affairs Council who are resisting measures that would restrict the Community's ability under Gatt rules to demand *"fair trade practices" from others.*

In addition to rejecting U.S pressure for a wording of the Gatt communique that could hit the EEC's system of agricultural export rebates, M Jobert emphasised that the proposals for a standstill on all protectionist measures – the so-called "ceasefire initiative" – and a much more legally binding Gatt disputes procedure were not acceptable

West Germany remains determinedly opposed to such demands on the ground that the Gatt Ministerial meeting's chances of halting the spread of world protectionism could be jeopardised. But a number of other EEC members, including to some extent the UK, apparently support elements of France's bid to retain flexibility. The timing of the planned EEC Council in Geneva – halfway through the three-day Gatt meeting – will demonstrate the central role that the EEC has through its involvement in 44 per cent of world trade

EEC multi-fibre talks to resume, Page 16; Protectionism split with Australia, Page 6

Minet chief resigns over secret deal

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

MR JOHN WALLROCK, chairman of Minet Holdings, one of Britain's largest insurance brokers, left the company yesterday after it was disclosed that he had secretly benefited from insurance transactions carried out within the group.

Mr Wallrock, who headed a group that manages the affairs of 1,800 members of Lloyd's, the insurance market supported by private wealth, said yesterday, "I deeply regret the embarrassment which I have occasioned to Lloyd's, which I have endeavoured to serve faithfully for 30 years."

The latest upset in the trouble-racked Lloyd's of London insurance community began to emerge last Thursday. Then, Mr Wallrock admitted to his two deputy chairmen and finance director, that he had a personal interest in reinsurance arrangements taken out by Lloyd's syndicates under the management of a Minet subsidiary, PCW Underwriting Agencies.

On Sunday, at a board meeting that lasted 11 hours, Minet directors took the view that "it would not be appropriate" for Mr Wallrock to continue in office. Mr. Wallrock tendered his resignation, which was unanimously accepted, and yesterday he left the group and all its subsidiaries.

Mr Wallrock said that he has given instructions that "any funds to which I might be entitled" should be paid to Lloyd's syndicates under the management of Minet.

The Department of Trade announced that it was to hold an investigation into the affairs of Minet Holdings and its Lloyd's underwriting companies. Since then, the Trade Department has asked the City of London Police Fraud Squad to assist it in its inquiries.

Lloyd's said yesterday that it hoped to have new disclosure rules ready for its latest audit of the market which might be able to prevent similar problems arising in the future.

Lloyd's deputy chairman, Mr Brian Brennan, said last night: "We are certainly holding an inquiry into this development. When we know where the fire is, we act extraordinarily quickly to douse it. But when you have a market this size, with so

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CONTENTS

Stewart Dalby assesses election prospects in the Dublin Central constituency

Nationalism blooms in Ireland's urban decay

"AH COME ON now Stewart, you know Ireland well enough. You couldn't miss Dublin Central, it's the bit of town which looks like Belfast." So said a friend pointing me in the direction of this constituency of 101,000 people right in the middle of the Irish capital.

True enough. Once you leave the dazzle and glitter of O'Connell Street, with its cinemas, department stores and hamburger joints, there are resemblances to Belfast. Huge areas of wasteland look like bomb sites where streets of tenements have been bulldozed down. Once lovely but now punchdrunk Georgian façades with windows and doors missing like broken teeth, await the demolishers' hammer before finally lurching over.

There are rather drab council estates, low rise rather than high rise, without much in the way of proper landscaping around them but lots of washing festooned over the balconies. There are grilles on pub windows, steel shutters on shop doors. There are small boys in bright pullovers and tatty anoraks who ask for money and then swear at you should you display a *British* accent.

The key difference with Belfast is largely that the area has not been flattened by sectarian warfare. This part of Dublin is the area known as Sean O'Casey land, where he set his plays about working-class life. It was probably one of the poorest urban areas in Europe earlier this century, and is now suffering from inner-city decay. *As such it* resembles British cities like Liverpool or Glasgow. And as such it has familiar problems.

Workers from all parties, including the two main ones Fianna Fail and Fine Gael, readily identify the constituency's main problems as a dire shortage of adequate housing, youth unemployment, straightforward poverty and rapidly growing crime and vandalism.

The plan by Fine Gael's Dr Garret FitzGerald (left) for an all-Ireland police force has made him deeply unpopular with the pro-Republican poor, who otherwise see nothing to choose between him and Fianna Fail's Mr Charles Haughey (right).

Ireland has a very serious unemployment problem. The national average is put at 13 per cent, although this is probably an understatement. Community workers put the level in Dublin Central at a minimum of 20 per cent. It is particularly acute among the young. School leavers of average ability, or who did not do particularly well, just cannot get work because there simply isn't any.

One community worker said: "Go into a pub any time of day and you will find young men in them as well as the old soaks. They have nothing else to do."

Mr Tony Gregory a community worker who was elected to the *Dail (parliament)* in the last election as an independent said the housing situation remains bad despite the clearances of recent years. There are thought to be *8,000 families* in inadequate housing on council waiting lists in Dublin alone.

Mr Gregory does not have exact housing figures to hand but said in the central sector there would be "thousands of *families waiting* rather than hundreds."

He says that there is a serious and increasing crime problem. Most of it should be seen as vandalism, the snatching of handbags petty burglary and so on. *Since the* area borders on the town centre like O'Connell and the quays along the Liffey river there is a great deal of breaking into and cannibalising of cars. *There is not* a great deal of organised crime, but Mr Gregory maintains there is an effective heroin syndicate selling drugs to the young.

It would hardly be suprising, given this litany of urban distress, if such an area did not have a heavy socialist or left-wing representation but this is only partly the *story*. Mr Michael O'Leary held the seat *for* many years *for the Labour* Party, but he got in last time only on the tenth count under Ireland's system of *proportional* representation with a single *transferable vote.*

He has now resigned as leader of the Labour Party and is running elsewhere for Fine Gael. Few poeple give his successor as candidate, a good-natured young councillor called Mr *Jimmy* Summers, a chance of holding the seat. The Labour Party organisation in the area is not good and "Micko" as Mr O'Leary is called, suffered from his image. He became too much identified with grand state cars *when he was deputy prime* minister.

If the Labour Party does not look like being represented in the next Dail from this constituency, however, there is always Mr Gregory as the left-wing's standard bearer, who is again standing as an independent. A 33-year-old *former teacher* and community worker who is both left-wing and anti-British he found himself in the enviable position of all but holding the balance of power in the last Dail.

In order to gain his vote Mr Charles Haughey, the Prime Minister, promised to spend *possibly some I£30m (£24m),* more *than* scheduled on inner-city development, the exact figures of which have never been revealed. Fianna Fail officials say now that this money would have been spent anyway. But there *is* widespread respect for Mr Haughey because he is a self-made millionaire. Anyone like Mr Gregory who appears to get money out of Mr Haughey cannot be all daft.

Mr Gregory looks like holding the seat and could even top the poll in this five-seat constituency. It is doubtful, however, whether Mr Gregory's success heralds the much-discussed or rather much-dreamed about realignment of *Irish politics* along the *more* right and left models understood in most West European countries.

Voting still takes place along the traditional *nationalist* pattern, with the civil war of 1921-22 rivalries reflected in Fianna Fail and Fine Gael—the pro-partition treaty party. Whatever the feeling about local issues, however, nationalist issues still carry great weight.

There is a widespread recognition *that the economy is in* a mess and both the main *parties* have *similar hairshirt* remedies for it. In Dublin Central Fianna Fail has two seats in Mr George Colley and Mr Bertie Aherne. Mr Michael Keating looks *safe for* Fine Gael, the fourth seat out of the five will therefore hinge probably on the outstanding national issues. In the closing days of the campaign this has come to centre on Mr Haughey's *waving* of the green flag, or the Republican issue and his attempt to discredit Dr Garet FitzGerald, the Fine Gael leader, for his closeness to Britain.

When I asked an old lady in the flea market what she thought, she said: "Sure, there's nothing to choose between them although that Charlie Haughey has done well *for himself, mind, with his* big house and all. That Garret would have the B Specials down on us." She was referring to Dr FitzGerald's plan for an all-Ireland police force. This has made him deeply unpopular with the pro-Republican poor. The B Specials, a northern Ireland constabulary, were abolished in 1969 but old perceptions die hard.

Country lending body welcomed

By James Buchan in Bonn

WEST GERMAN bankers have welcomed proposals to set up an international institution for the exchange of information on borrowing countries.

Herr Harald Kuehnen, chairman of the Federation of West German Banks, said in Bonn yesterday that the new institution, proposed at a meeting of leading commercial banks in New York last month, should make country lending more "transparent."

He suggested, however, that the judgment of country risk through the new institution, in co-operation with the International Monetary Fund and the World Bank, should not be pre-emptive. "We are for more transparency but not for an early warning system," he told a news conference.

The decision to set up the new body, which is supposed to act as a channel for information between the banks and between the banks and borrowing countries, is directed at reviving confidence in country lending in the light of difficulties with Mexico and some Eastern European borrowers.

Herr Friedrich-Wilhelm Christians, joint chief executive of Deutsche Bank, defended West German bank lending to foreign countries as linked inextricably to the boom in West German exports up to the beginning of the year.

East renews approach over W. Berlin link

By Leslie Colitt in Berlin

EAST GERMANY has expressed interest in opening talks with Bonn on projects to improve West Berlin's communications with West Germany. They would involve West German payments to its neighbour which is straining its resources to pay off an estimated $12bn in debts to the West.

Herr Otto Arndt, the East German Transport Minister, made the approach during a meeting with Herr Werner Dollinger, his West German counterpart. They conferred during the inauguration at the weekend of a 265 km autobahn connecting West Berlin and Hamburg.

Bonn paid East Germany DM 1.2bn (£285m) to build a 221 km portion.

At their meeting the two ministers discussed a proposal broached earlier by East Germany for the electrification of the main railway line between West Berlin and West Germany. This would involve heavy West German financial participation. The previous Government under Herr Helmut Schmidt had decided against it.

West Germany would like the old East German transit route between West Berlin and Hamburg to be retained for Western traffic, while East Germany has said it will be closed down as agreed previously with Bonn.

NATO's NEW MISSILES

Bonn election a key element in negotiations

BY JONATHAN CARR IN BONN

THE RESULT of the West German general election, which is likely to be held on March 6, is starting to look almost as crucial for the Soviet Union and the U.S. as for the West Germans themselves. Above all, it is felt certain to have a key influence on the superpower negotiations on intermediate-range nuclear weaponry being held in Geneva.

Over the past few days, the West Germans have received from Mr Paul Nitze, the chief U.S. negotiator in Geneva, a personal assessment of the state of the talks. There is said to be progress in defining the complex issues on which *accord must be sought,* but no movement on the issues themselves.

Nor is such movement felt likely until after the election in West Germany, the country where most of the proposed new U.S. *nuclear missiles* are due to be deployed from the end of next year if the Geneva negotiations fail.

The Russians are expected to make no concessions of substance until they know whether there will be a government in Bonn clearly willing and able to accept the missiles on West German territory.

If there is no such government, then the pressure on Moscow, imposed by the Nato decision of December, 1979, will be off. Under that decision, the West offered Moscow negotiations on intermediate-range missiles, but agreed to deploy *such weapons of its own,* to counterbalance the Soviet threat if the talks came to nothing.

It is with the missiles issue particularly in mind that Herr Helmut Kohl, the new Christian Democrat (CDU) Chancellor, is aiming at elections next March.

Normally, West Germans would not go to the polls until late 1984. Herr Kohl, who overturned the centre-left coalition of ex-Chancellor Helmut Schmidt through a parliamentary no confidence vote in October, could in theory carry on for another two years without an election. But he is clearly convinced that he needs a full mandate from the voters, not just from Parliament, behind him if missiles deployment is to go ahead.

Can he get it? There are serious hurdles and bitter campaigning ahead before the answer is known. For one thing, Herr Kohl faces difficult constitutional problems in having a premature general election called at all.

The most likely (but still problematical) course is that he will arrange to lose a confidence vote in early January. This would open the way for the President to dissolve Parliament—although it would not force him to do so, and there are experts who think this would be against the spirit of the constitution.

Assuming that problem is resolved, Herr Kohl's centre-right alliance faces a tough battle against both the Social Democrat Party (SPD) and the Greens, the movement of ecologists, pacifists and radicals.

The SPD has lost its best election winner, Herr Schmidt, who is not standing for the chancellorship again. But the liberal Free Democrat Party (FDP), junior partner in Herr Kohl's coalition, is deeply divided and many believe it may not return to Parliament at all. That could leave the Greens, who are deeply opposed to the Nato missiles decision, holding the balance in Parliament.

"That is a "worst case scenario" and far from a certainty. But it seems possible enough to the Bavarian leader, *Herr Franz Josef Strauss,* to cause him to stress publicly that a "grand coalition" would be preferable. That would mean an alliance between the CDU, his own Christian Social Union (CSU) and the SPD, leaving virtually no parliamentary opposition.

> Herr Kohl is clearly convinced that he needs a full mandate from the voters, not just from Parliament, behind him if missiles deployment is to go ahead. There are serious hurdles and bitter campaigning ahead before he knows if he can obtain it.

The U.S. makes no secret of its delight in Herr Kohl's wholehearted commitment, and that of his party, to both parts of the Nato decision.

Thus the U.S. Administration feted Herr Kohl when he visited Washington last week, and some U.S. demands—for example, for higher defence spending—are being played down.

On the other hand, Bonn is bracing itself for ever-greater pressure from Moscow as the election day approaches. Senior government officials underline that Mr Yuri Andropov, the new Soviet Communist party leader, could well pose a more sophisticated challenge, through a careful application of carrot and stick, than did his predecessor, Mr Leonid Brezhnev.

It is not clear exactly what form this strategy will take, but Bonn is attaching great importance to a visit here in the second half of January by Mr Andrei Gromyko, the Soviet Foreign Minister. The timing of the visit is known to have been arranged after the personal intervention of Mr Andropov and may virtually coincide with the start of the West German election campaign.

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Cardinals meet to discuss Vatican finances

By Rupert Cornwell in Rome

A HUNDRED cardinals from all over the world have gathered in Rome for four days of discussions on topics ranging from the proposed restructuring of the Curia, the Church's central administration, to the finances of the Vatican and its involvement in the Banco Ambrosiano scandal.

The most controversial part will certainly be the last. The links that have emerged between the Instituto per le Opere di Religione (IOR) – the Vatican Bank – and the old Ambrosiano of the late Sig Roberto Calvi have caused deep anxiety within the hierarchy of the Church.

Last week, the 15 cardinals belonging to the commission set up in 1981 to review the Vatican's finances examined a report on the affair drawn up – but so far unpublished – by the three "wise men," called in by Cardinal Agostino Casaroli, Secretary of State, last July.

For some while it has been evident that their findings technically acquit the IOR of any legal liabilities in connection with Ambrosiano.

It is being emphasised that the "letter of patronage" on behalf of a dozen Panamian front companies belonging to Ambrosiano were issued by IOR long after the borrowings that brought about the bank's downfall.

Although the prevailing view in the Vatican is that the IOR innocently allowed itself to be exploited by Sig Calvi, the Holy See is most concerned to reach a settlement with the Italian authorities. The latter, at least in public, insist that the Vatican should cover the near $1.3bn of uncovered Ambrosiano debts.

One of the 15 commission members is expected to brief the full gathering of Cardinals on the IOR-Ambrosiano case, but there are likely to be powerful demands for much greater "transparency" in the operations of the Vatican Bank in future, to dispel any doubts about its behaviour.

At the same time, the cardinals, whose meeting will last until Friday, will receive an up-todate picture of the Vatican's overall finances.

Earlier this year, the 1982 "budget" deficit of the Holy See was put at L36bn ($25m) – but this does not take into account the proceeds of "St Peter's Pence" donations by Roman Catholic faithful to the Pope himself. This sum is believed to cover the Holy See's deficit on its own.

Confusion grows in EEC about enlargement stance

BY JOHN WYLES IN BRUSSELS

THE EEC was plunged into further disarray yesterday with arguments about how to approach the admission of Spain and Portugal to the Community.

France added to the confusion about its tactics by urging a new approach to the integration of Portuguese agriculture into the EEC, while Britain stressed that the cost of enlargement should be financed through economies in the Common Agricultural Policy (CAP) and not by adding to the EEC's budget revenues.

Both developments confirm that the date on which Spain and Portugal will join the EEC is continuing to recede.

The mounting uncertainty puts a growing obligation on the EEC summit in Copenhagen next week to establish whether the negotiations should continue towards the earliest possible conclusion or whether they should be delayed while the Ten first sort out key domestic problems.

The central question is whether an increase in the EEC's budget revenues is a prerequisite for enlargement. The European Commission and most member states believe that more "own resources" will be needed. West Germany disputes this and yesterday Mr Francis Pym, Britain's Foreign Secretary, stiffened the UK's position by stating publicly that "the present own resources will be sufficient after enlargement."

While repeating that he was ready to discuss increasing budget revenues, Mr Pym put Britain firmly alongside the West Germans in arguing that "if CAP expenditure were adjusted that would solve the problem."

France, meanwhile, appears to be pressing for a package of internal community accords on budget revenues and on Mediterranean agriculture before agreeing to enlargement. But it is still not clear whether it wants to delay only Spanish membership or that of Portugal as well.

TARGET DATE REJECTED FOR ACCORD ON EEC BUDGET PAYMENTS

Opening shots fired over UK rebate

BY OUR BRUSSELS CORRESPONDENT

Mr Pym . . . failed to persuade

FRANCE and West Germany yesterday sketched out the contours of new and probably tortuous negotiations which Britain will have to endure before it can secure future reductions in its payments to the EEC budget.

At a meeting of foreign ministers in Brussels yesterday, Mr Francis Pym, the British Foreign Secretary, made a forlorn attempt to persuade the Ten to set next March as a target date for agreement. No other member state wanted such a firm commitment, particularly since they have all conspicuously failed to deliver the settlement on Britain's future payments which was supposed to have been reached by the end of this month.

Giving their first reactions to the European Commission's outline proposals for a 2-3 year future budget arrangement, both the French and the West German ministers signalled that they would be raising serious obstacles to an agreement.

Mr Andre Chandernagor, the French Minister for Europe, indicated that France would try to keep Britain's future rebates from the EEC budget to a nominal sum. As Britain had paid about £550m less to Brussels than envisaged under the first payment-cutting agreement of 1980, "the basic problem is not what the Community owes the UK but what the UK owes the Community," he said.

This was predictable as an opening French position and, indeed, Mr Pym has already agreed that Britain's budget "windfall" will be taken into account in the future negotiations.

More worrying from the Foreign Secretary's point of view was the fact that West Germany publicly insisted yesterday that it would only pay 25 per cent of its proper share of future rebates to Britain.

This was the first clear indication that the new Bonn coalition was maintaining the position adopted by its predecessor, and it spells considerable trouble for the future.

West German insistence on being let off half its share delayed until last month final agreement on Britain's 1982 rebate. France, Italy and the Benelux countries bitterly regretted this concession to Bonn and will oppose fiercely a repetition in the new negotiations.

Community concern at Greek demands for special treatment

BY DAVID TONGE IN ATHENS

AFTER MONTHS of turning a blind eye to the shortcomings of the Community's newest member, EEC officials yesterday sat down with the Greek Government to work out what has gone wrong in their relationship.

Concern rather than anger was the mood of the 30-strong EEC team led by Mr Michael Lillis, deputy head of the private office of Mr Richard Burke, the EEC Commissioner dealing with Greece.

Members of Mr Burke's team have long been arguing that not only is Greece lagging behind in meeting its obligations, but it is also taking new measures which flout EEC regulations.

The areas of conflict include:

- In 23 months of membership Greece has only introduced 20 of over 600 Community directives. Proposed legislation to correct this is considered too limited by the EEC.
- Greece wants to delay the introduction of VAT by at least a year from January 1984. Ministers say its introduction may have to wait until inflation (now over 20 per cent) falls when they would introduce it by stages.
- Greece has dragged its heels in areas such as unblocking assets belonging to EEC residents and taxing retsina and ouzo in the same way as imported wines and spirits.
- The recent Greek measures upvaluing many cif (cost insurance freight) prices before import duty is assessed.
- The Government proposes to introduce a virtual state monopoly on pharmaceutical raw materials together with a levy on private pharmaceutical companies.

"Our lawyers love to get their hands on Greece," one EEC official comments, but for the moment the politicians are in control he says. And the politicians argue that the EEC should not seem to be bullying a neophyte, particularly when that neophyte has intimated he may leave the monastery.

Yesterday's meeting in Athens was also to consider the Greek Government's memorandum of last March demanding "special arrangements." The results of the meeting, which could last a week, will be used by the Commission to help draft a proposal for action by foreign ministers when they discuss the Greek memorandum

Greece's demands for special treatment are based on the premise that Community rules are shaped for the economies of Northern Europe, not those of the Mediterranean. The memorandum also accuses Greece's Treaty of Accession (signed by the preceding Karamanlis government) of ignoring the "special features of the Greek economy."

On this point many EEC officials agree. "The Nine did not negotiate with Greece as if it were a future partner," one says, adding that the Greek negotiating team of the time was a "pushover." The anger at this situation of Mr Andreas Papandreou, Greece's Premier, was increased when last year, for the first time, the country ran a deficit on agricultural trade with its European partners. This was the result of a 140 per cent increase in agricultural imports, in particular as Greece had to replace its cheap supplies of butter and meat with EEC produce.

In June the EEC responded to the Greek memorandum by setting out to demonstrate that most of Greece's worries could be handled by existing Community programmes. Greece has seen net receipts from the Community grow from $120m (£75m) in 1981 to forecasts of $600m to $650m this year and $800m in 1983.

EEC officials, however, have been appalled at the problems they have encountered in ensuring the Greeks take advantage of the programmes on offer. "Our single biggest problem is the state of the public administration in Athens," one frustrated EEC official said.

Yesterday's meeting is the latest step in a discreet EEC campaign to overcome this. In the past three months 100 EEC officials have visited Athens and, by early next year, a total of 200 will have come down to help their Greek counterparts at a cost of £250,000.

In January the first batch of Greek officials dealing with the EEC is to spend a month visiting Brussels. The aim is to try to seduce the Greeks by making clear to them how far today's rules can be manipulated in their favour.

They have a long way to go, however. At present, for example Greece only receives from the social fund a third of the aid received by Ireland, a country at a similar stage of development, yet Ireland has only a third of Greece's population.

Papandreou . . . anger

Dutch expenditure cuts prompt strike threats

THE HAGUE – The new Dutch Government formally announced tough speeding cuts and a public-sector wage freeze yesterday. Trade unions responded with a threat of massive and lengthy strikes.

In its first policy statement to parliament, the Centre-Right coalition Government said it was aiming to reduce the official spending deficit from a projected record 11.9 per cent of national income next year to 7.4 per cent by 1986.

The Government will push ahead with previously announced plans for around Fl 13bn ($4.7bn) of cuts next year. Further cuts expected to amount to around Fl 21bn, will follow from 1984 to 1986.

Part of next year's savings will come from a freeze on public-sector wages. All social security payments will also be held at the present level.

Trains and buses in much of the Netherlands were at a standstill yesterday because of a one-day strike by transport unions in protest against the planned freeze.

In his statement to parliament, Mr Ruud Lubbers, the Prime Minister made clear that the Government intended to stick to all key policies drawn up in coalition negotiations last month.

These include the placing of Nato nuclear missiles in the Netherlands if East-West arms talks in Geneva do not make satisfactory progress.

Mr Lubbers's only concession was to announce that a temporary wages and price freeze in the private sector, planned to begin in January, would not go ahead.

Nakasone tipped for leadership

By Jurek Martin in Tokyo

MR YASUHIRO NAKASONE is assured of becoming the next Japanese Prime Minister, even if he loses the current postal ballot of 1.04m rank-and-file members of the ruling Liberal Democratic Party, according to an opinion poll.

The poll, of the LDP's 421 parliamentarians sitting in both houses of the Diet, was conducted by the Asashi Shimbun newspaper.

Even if Mr Nskasone were to lose the postal vote by a wide margin to Mr Toshio Komoto, director geoeral of the Government's Economic Planning Agency, 57 per cent of LDP parliamentarians said they would still support Mr Nakasone in the Diet election.

If he wins the primary easily, Mr Nakasone could wio as many as 274 votes in the Diet. Most forecasts suggest he will win the non-binding first round, to be completed tomorrow by a comfortable margin.

The LDP parliamentarians will vote on Thursday and the full Diet will convene in extraordinary session on Friday formally to ratify tbe LDP victor as Prime Mioister.

Charles Smith in Tokyo adds: Japan's industrial production rose by 1.7 per cent in the July-September quarter, the Economic Planning Agency announced yesterday.

The increase followed declines in the January-March and April-June quarters but tbe agency was quick to explain that special factors bad belped to improve the figures.

The EPA expects tbe October figures for industrial production to fall back perhaps by as much as 2.7 per cent but is hoping for another revival in November. It believes that Japan's industrial peoduction has not hegun to recover from the effects of the post-oil crisis recession but may at least have stopped declining.

Australia warned on pay freeze

By Michael Thompson-Noel in Sydney

THE AUSTRALIAN Government faces outright union opposition in its bopes for s pay freeze to combat rising unemploymeot.

Mr Clifford Dolan, secretary of the Australian Council of Tradc Uoions yesterday said a pay freeze would not solve the country's problems. Australis's labour movement was committed to maintenance of real wages, he added.

The Government's plan will be discussed at a meeting of state premiers on December 7.

Mr Dolan dismissed the plan as negative, however. He attempted to queH union fears that immigration was fuelling unemployment but said the planned intake of 120,000 immigrants in 1982-83 should be reduced.

Senior Taiwan diplomat named for Washington

By Bob King in Taipei

TAIWAN has appointed veteran diplomat Frederick Chien to head the Co-ordinating Council for North American Affairs, Taiwan's unofficial embassy in the U.S.

Mr Chien, 47, has resigned as vice-minister of foreign affairs. Mr Chien is young by Taiwanese standards to hold such an important post. He is also the highest - level government official to receive the sensitive posting to Wsshington. He will take up his duties early next year.

Japan lifts Burma aid

BY CHIT TUN IN RANGOON

JAPAN HAS maintained its position as Burma's leading development aid donor by extending a project and a commodity loan totalling Y40.25bn (£86.7m) for fiscal year 1982-1983 under notes exchanged bere.

The project loan of Y33.35bn will be used to finance seven development projects—including the first phase of modernising Burma's century-old railways and second phase of setting np a liquefied petroleum gas plant.

The commodity loan of Y6.9bn will be used for purchase of machinery and spare parts for four Japanese-aided projects: a farm implemants factory; a radio and elecrical goods factory and two plants for making light and heavy motor vehicles. The loans followed two other similar loans totalling Y34.5bn extended in June.

Two years' fighting has taken its toll on revolutionary resolve, writes Terry Povey

Popular support dwindles for Iran's crusade

IRAN'S latest offensive in the Gulf war has halted some 10 miles inside Iraq. Tbe rival armies now confront eacb other at three different points elong tbe long common border.

Few in Tehran believe that this will be the last major probe by Iran before the long-awaited concerted push for Iraq's second largest city of Basra takes place.

Yet if the war has proved to be the Iranian fundamentalist régime's best ally to date it also continues to threaten to undermine the weak institutional basis of the Islamic state. Nonetheless, "War has become a substantial element in the régime's very existence," according to one Western diplomat in Tehran.

In spite of having survived attempts to unseet it at home and having gained some considerable success on the battlefield, the fundamentalists' inurement to crises and war has led to a fairly constant draining of public support, even from those who were once strongly committed.

The apparent inability of the authorities to capitalise upon their victories has led many to wonder when the régime will call a halt to it all.

Until recently the regime could rely on influencing both religious and nationalist emotions to maintain support for tbe war effort. Today such appeals are clearly flagging, even among the urban and rural poor, most traditional sectors of the population.

Last month on the Basra front, a rsther desperata measure was adopted to try to reassure the conscripts, now mainly from the villages, that God was still on their side. Sbortly after dark, a blazing figure riding a white horse passed close to the Iranian lines. "It's the twelfth Imam (the Messiah of tbe Shi'ite moslems) come to visit us," cried a detachment of revolutionary guards.

A group of sceptical soldiars jumped into a Jeep and chased and caugbt the "apparition." On questioning he confessed to being a guard himself. There was three such "sightings" along the Basra front on the same nigbt.

Even these methods are no longer enough to bring in the recruits, however, and the campaign to catch draft-dodgers and deserters has been stepped up considerably. Appeals for volunteers for the militia forces are repeated frequently, with recruiting teams offering substantial cash inducements to families willing to allow their sons to sign up.

Faced with the falling-off of recruits, Ayatollah Khomeini recently issued a series of rulings. In these he declared that parental permission was unnecessary for those going to the front, that volunteering was a religious obligation and that serving in the forces took priority over all other forms of work or study.

Following these rulings the Government has launched a campaign to persuade civil servants of the need to join the armed forces. Mr Mir Hossein Moussavi, Iran's Premier, asked that the revolutionary guards and the army provide details of the numbers they needed adding that he would then take "urgent action to find the manpower requested."

The recent offensive at Musian had to be held back several days for lack of manpower as a result of this drop in popular support for the war and for the régime that wages it.

In the cities the huge crowds of yesteryear are no longer turning out for the big occasions. The third anniversary of the seizure of the U.S. embassy, the major event of recent weeks, attracted at best some 30,000. Mass funerals attract only a couple of hundred.

Recently Premier Moussavi seemed to be addressing himself to this disaffected mood when, in an address on the State of the Nation, he tried to reassure that all would, eventually, be well.

The Premier admitted that the war would be responsible for a 25 per cent budget deficit this year, as well as for higher inflation, bottlenecks in construction projects in even the most needy areas, and delays in the distribution of imported foodstuffs and other goods. He was not, however, able to offer much hope for the short term. His government followed the slogan of "war, war until victory," and tried to cope with the problems, he said.

No longer able to rely on mass demonstrations for support, the régime is increasingly dependent on the people, perhaps as much as 10 per cent of the population who work for it in the vast array of revolutionary organisations and institutions. In addition, the authorities clearly have considerable control over the million-plus civil servants.

The fact that fewer and fewer of these people are turning out for the set-piece occasions is indicative of the partial collapse of tha régime's apparatus for mobilising the grass roots. This collapse has taken place because of both disillusionment and the cumulative effect of the assassination campaign waged by the Mojahedin guerrilla opposition.

In the main cities and in Kurdistan the armed opponents of tha régima remain active but one obliged to play what is essentially a waiting game. They must wait for the long talked-of split at the top, which may not occur until Ayatollah Khomeini dies, before they can hopa to break through the security forces' stranglehold and attack the régime itself rather than jnst its local representatives.

Maintaining the loyalty of those oi the many parallel streams through which power in Iran is diffused is an expensive business. In order to finance it there has been a massive increase in corruption at all levels of officialdom.

According to one banker in Tehran: "From the cabinet down to the lowliest member of a local revolutionary committee and all wings within the régime, they're all on the take."

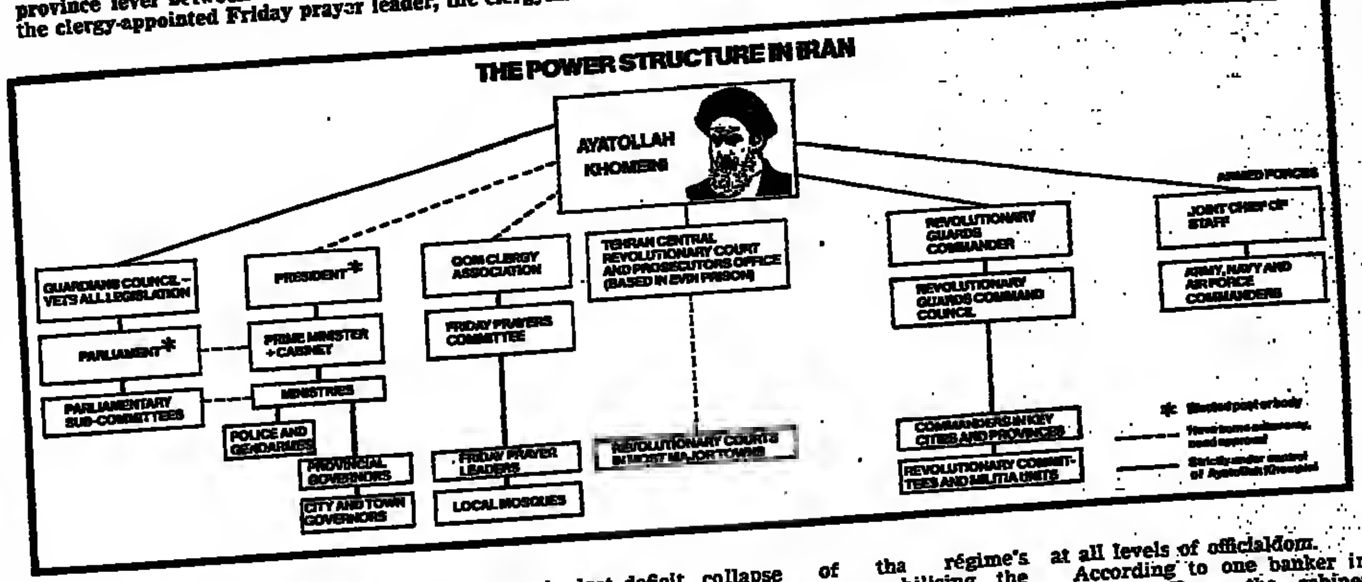
In Tehran, for example, a virtual monopoly of cigarette distribution helps to pay up to 10,000 revolntionary guards and informers.

Corruption is not new in Iran but this increase, so soon after the revolutionary regime took over, suggests that the malaise affecting the population at large is also affecting those at the centre of power. The minister or revolutionary guard who takes his cut from food rations or a tractor deal has already lost his idealistic faith.

Recent improvements in Iran's financial position must be viewed in this light. One advantage of general shortages was that official egalitarianism was a practical necessity; now that oil exports are around 2m barrels a day and the reserves are growing by some $300m (£187.5m) per month, cracks in revolutionary resolve are becoming obvious.

For Iraq the key question in the Gulf war remains its ability to muster enough troops to counter its much larger opponent's thrusts in a long-running war of attrition. For Iran, the problem is maintaining enough political cohesion among the dwindling band of true believers to sustain its crusade.

Two things stand out from this simplified chart of the fundamentalist apparatus. The first is the lack of horizontal links between senior bodies other than through Ayatollah Khomeini. The second is the sharing of power at the city/province level between the Government-appointed Governor, the clergy-appointed Friday prayer leader, the clergyman who heads the local revolutionary court and the local revolutionary guard commander. This quartet is all-powerful at a local level. Ayatollah Khomeini also appoints his own representatives for almost all ministries and organisations. His local representatives are usually Friday prayer leaders.



Trade talks with NZ

BY DAI HAYWARD IN WELLINGTON

A NEW ZEALAND minister will spend four days in Iran later this month. Mr Warren Cooper, Foreign Affairs Minister, will be the first Western foreign minister to visit Iran since the Islamic Republic was established in 1978.

Mr Cooper will discuss Iran's system of payments for New Zealand imports. New Zealand is anxious to convince Iran that it wants to be a regular trading partner and was interested in long-term trading, particularly for meat and dairy products. Mr Cooper will also spend six days in Egypt.

Israel drops purge on academics

By David Lennon in Tel Aviv

FOREIGN academics teaching at Palestinian universities on the occupied West Bank are withholding judgment on what appears to be an Israeli climb down over demands that they sign anti-PLO pledges, or face expulsion.

Most academics have refused to sign the original pledge and this has led to the expulsion of 21 professors and lecturers. Another 36 face expulsion wben their visas expire.

Last week Mr George Shultz, the U.S. Secretary of State, protested about the Israeli action. The Israeli administration on the West Bank has now dropped its demaod that the visiting academics sign a declaration that they will not support or aid the PLO. An undertaking will be incorporated in the application form for a work permit.

Opinions were divided among foreign academics ot the West Bank universities yesterday. Soma welcomed what they saw as a more positive Israeli attitude, while others suggested that it may not mean any real change in the situation.

The position is expected to be clarified tomorrow at a meeting between the academics and Col Yigal Karmon, head of the Israeli civil administratioo on the West Bank.

The new standard work permit form will incorporate the terms under wblch the permit is granted. This inclndes an nndertaking not to offer services or support to the PLO or any organisation bostile to the state of Israel.

Agencies add: Lecturers already expelled from the occupied West Bank would be readmitted if they sign a new work permit, the area's civil administration said.

The administration said that lecturers will now not be singled out as they were with the pledge. "All foreigners wanting to work in the area will be bound by the same document."

Meanwhile, Egypt and Israel yesterday resumed talks on bilateral relations — suspended by the Cairo Government since Israel invaded Lebanon oo June 6.

Mr Kamal Hassan Aly, Foreign Minister, held talks at his own initiative for almost one and a half hours with Mr Moshe Sasson, the Israeli Ambassador.

Brief statements by both sides made it clear the meeting covered a range of bilateral issues including the disputed border area of Taba, a 1 sq km patch of rock and sand

AMERICAN NEWS

Brazilian opposition wins three key states

By Andrew Whitley in Rio de Janeiro

BRAZIL'S opposition parties have scored a convincing hat-trick in the key elections for state governors, capturing the three most important states of Sao Paulo, Minas Gerais and Rio de Janeiro.

With about three quarters of the votes cast in last Monday's national elections counted, the main opposition party, the centrist Partido do Movimento Democratico Brasiliero (PMDB) is likely to wind up with nine of the 22 states being contested.

The victory in Rio de Janeiro of Sr Leonel Brizola – the phenomenon of this election and the one man to seriously upset the ruling military's calculations – gives the opposition its tenth state.

On Sunday, President Joao Figueiredo made an offer of co-operation to the new opposition governors. He said government-funded development programmes would go ahead regardless of who was in charge in individual states.

Sr Brizola, a radical populist keen to build a new socialist party in Brazil, similarly extended an olive branch to one of the men who forced him to flee the country for his life when the army seized power in 1964. He praised the President for his "firmness and tenacity" in steering the country back towards democracy.

As the lengthy electoral count enters its final stages, early predictions that the opposition would end up with eight states have had to be revised. The PMDB has won unexpectedly in Mato Grosso do Sul and is leading in the Amazon states of Acre and Para.

The PMDB is likely to end up with 15.4m votes against 13.9m for the Government's Partido Democratico Social in the gubernatorial elections, according to computer projections. The three smaller parties all trailed badly, with their totals largely representing the votes for their single, well-known personalities. Together they have only about 5.7m votes.

Gloomy forecasts for 1984 U.S. budget deficits

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PROJECTIONS ARE beginning to pour in of massive U.S. budget deficits for fiscal 1984. The Administration, however, seems much les concerned about the gloomy forecasts than it did a year ago when the first really hefty deficit figures started to appear.

Mr David Stockman, the Budget Director, says that the deficit for fiscal 1984, which starts next October 1, could be $180bn-$195bn (£113bn-£122.5bn). He is suggesting, however, cuts of only $25bn to $30bn to marginally narrow the gap. Fiscal 1984 is the year by which President Ronald Reagan originally promised to balance the budget.

Mr Martin Feldstein, the chairman of the President's Council of Economic Advisers, said that without "significant action" to cut domestic spending, deficits over the years immediately ahead would run from $150bn to $200bn.

Mr Feldstein at the weekend repeated his doubts about plans under consideration to advance *next year's 10 per cent cut* in personal taxation from July 1 to January 1.

Mr Robert Dole, the *influential* Republican chairman of the Senate finance committee, expressed similar doubts. He said that the focus should be on ways to reduce the deficit, not increase it. He was doubtful if speeding the tax-cut would get through Congress.

Mr Reagan nevertheless seemed to be giving serious *thought* to *trying* to push the acceleration through with the aid of the same kind of block-busting political campaign he used to secure his initial tax and budget-cutting victories last year.

Mr Reagan was still, however, sticking to his plans for a massive boost to defence spending, despite the deficit figures and mounting pressure on him

While the White House accepts that cuts in defence spending plans may well ultimately be forced on Mr Reagan, it does not want to give the critics an opening by starting the process itself.

Mr Feldstein said on Sunday that *the* U.S. economy was at *the bottom of* the long recession and ready to recover, but added that he could not give a *precise date for the start*

Chrysler Canada-UAW negotiations resume

BY RICHARD LAMBERT IN NEW YORK

CHRYSLER Canada and the United Auto Workers Union started negotiating again yesterday for the first time since UAW members began their strike against the company on November 5. The two sides met together briefly in Toronto yesterday morning, and agreed to set up sub-committees which will attempt in the next few days to resolve non-wage issues.

The union said it hoped that talks on wages and financial benefits would begin later this week. Asked whether a wage increase would be offered to Chrysler workers in Canada and the U.S., Mr W. J. Fisher, the company's chief negotiator at the talks, replied: "That depends on what sort of progress we can make on the non-economic issues."

The UAW said that some 9,600 hourly paid workers and 400 salaried workers were currently involved in the strike, which has led to substantial lay-offs at Chrysler's U.S. operations.

Yesterday's talks followed a decision last week by the union to seek simultaneous resolution of its contract disputes in Canada and the U.S. Chrysler negotiators also had a brief session with UAW leaders in Detroit yesterday morning.

U.S. Chrysler workers voted last month not to strike against the company. Instead, they agreed to continue working under their old labour contract pending a new set of negotiations early in 1983.

Tricentrol to explore in Gulf of Mexico

By Richard Johns in London

TRICENTROL has expanded its overseas exploration programme by bidding successfully for a share in six offshore blocks in the Gulf of Mexico in last week's $635.1m sale of leases.

The wholly owned U.S. subsidiary of the British natural resources company paid £11.1m ($17.8m) for an 8.3 per cent interest in the blocks in participation with Texaco, the major, and Pongo, the Houston-based oil and gas company. In addition, Union Oil has a stake in two of them.

The blocks include *one tract* in the West Cameron area in waters off Louisiana which attracted the most competitive bidding in last lease sale. But the auction was generally a disappointment for the U.S. Department of Energy with only $635.1m realised – the lowest amount raised for the Gulf of Mexico since 1975.

Texaco was the most aggressive company bidding for 19 tracts, mostly in partnership with other companies, and gaining a *foothold in 10 of them.*

Last week Tricentrol Exploration annouoced that it had agreed to participate with Conoco in a programme to explore five offshore tracts in the Santa Maria Basin in Californian waters, where Chevron and Texaco have recently discovered "giant" fields.

Last month it made a successful *bid for 93,709 acres in an* Indian reservation io Colorado.

WORLD TRADE NEWS

U.S.-Soviet trade talks off to sour start

BY ANTHONY ROBINSON IN MOSCOW

AS FATE would have it, the death of Mr Leonid Brezhnev, the emergence of a self confident new Soviet leader and the seventh session of the U.S.-Soviet Trade and Economic Council all took place in Moscow at the same time.

The latter was not surprisingly somewhat overwhelmed by all of the former. But the events of last week on the U.S.-Soviet trade and economic relations front were considerably enhanced by the glimmering of better U.S.-Soviet political relations and President Ronald Reagan's decision to drop the Siberian gas pipeline embargo.

In spite of the first meeting between Mr Yuri Andropov, the new Communist Party leader, and Mr George Bush, the U.S. vice-president, and mutual expressions of a desire for improved relations, the trade council meeting got off to a rather sour start.

Mr Georgi Kornienko, the Soviet first deputy foreign minister, who was guest speaker at the opening lunch, used the occasion to launch into a fierce attack on sanctions and on U.S. policies generally. He topped it all with a vitriolic personal attack on Mr Caspar Weinberger, the U.S. Defence Secretary.

The next day, Wednesday, Mr Arthur Hartman, the U.S. Ambassador to Moscow, replied in kind accusing his "friend" Mr Kornienko of a one sided presentation which served to show U.S. businessmen how difficult it was to establish a good basis of co-operation with the Soviet Union.

He then reminded his Soviet hosts that the Soviet Union too mixed business with politics. Mr Hartman cited the total embargo imposed on Yugoslavia by Stalin in 1948 after Tito's expulsion from Cominform, the Communist Information Bureau.

Mr Hartman, while drawing attention to Mr Reagan's condolence message to the new Soviet leadership, which expressed a "strong desire to work towards an improved relationship with the Soviet Union," also underlined some of the problems ahead. "We and our allies are spending hundreds of billions of dollars on defence because of the very real threat represented by the Soviet military build-up," he said. "How can we consider aiding the Soviet Union in this build-up through the export of technology, when we are spending all this money on defence?"

In this, Mr Hartman was reflecting the strong U.S. conviction that a combination of trade, open access to defence orientated materials and espionage had allowed the Soviet Union to develop its military capabilities at lower costs on the back of Western research and development efforts.

But he then went on to emphasise the long list of items which were not embargoed and which could form the basis for expanded U.S.-Soviet trade. "This includes consumer goods of all kinds, food processing machinery, agricultural equipment, power generation and distribution equipment, machine tools such as presses, grinding and riveting machines, chemical processing equipment and many kinds of chemicals."

"[illegible] this, it was the Soviet side's turn to repeat complaints about the difficulty of doing trade with a country which imposed embargoes, tore up agreements and generally proved unreliable.

Mr Nikolai Patolichev, the Foreign Trade Minister, even went so far as to demand a U.S. pledge never again to use embargoes or other forms of trade weapon. He said that without such an assurance, U.S. companies would continue to lose out to other Western competitors in the Soviet market.

Mr Nikolai Tikhonov, the Prime Minister, then said more of the same at a Kremlin reception, before calling for "friendly" relations in future—and the word friendly has not been used to describe U.S.-Soviet relations since way before the invasion of Afghanistan in 1979 and events in Poland.

Vice President Bush

After the politicians had had their chance to vent some of the spleen accumulated in recent years, U.S. bankers delivered their own unpalatable message. In future, they intimated, the Soviet Union could no longer expect to remain the odd man out by pleading "state secret" when bankers sought the kind of information they routinely expect from all other sovereign borrowers—including latterly Eastern Europe.

In future, when the Soviet Union applied to Western bankers for funds to cover trade or investment projects, they too would be expected to deliver credible statistics in such areas as gold sales and production, reserves, balance of trade and payments projections and so on. By all accounts, this message received a very frosty reception.

But after bankers' recent bad experiences in Poland, Romania and elsewhere, and after the fall in world prices for the Soviet Union's principal hard currency exports, the credit rating of the Soviet Union itself is no longer as sacrosanct as it once was, bankers hinted.

All of this made rather glum hearing to U.S. businessmen representing more than 200 U.S. companies, including several in the recession hit steel and agricultural machinery sectors like Armco Steel and International Harvester. Trade nowadays depends on credits—and credit is in short supply to Eastern Europe right now, including to the Soviet Union.

Nevertheless, after last week's meetings and discussions on the trade opportunities in the current and next five years plans, both sides have obtained a more honest and realistic assessment of each others' hopes, fears and criticisms.

Some companies were even offered further trade opportunities. Pepsi Cola was offered talks about setting up another 15 bottling plants in the Soviet Union, while the European division of Monsanto Chemicals signed a three-year trade protocol for $300m (£185m) of two way trade.

Now that Mr Reagan has dropped the embargo on foreign subsidiaries of U.S. corporations involved in the pipeline and the U.S. and Soviet leaders are talking to one another again, trade prospects look brighter.

But real progress is only on the cards if the improved atmosphere leads to real progress on the most vital questions dividing the two superpowers.

Australia and EEC split over protectionism

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR, IN GENEVA

AUSTRALIA and the EEC have emerged as the chief protagonists in an argument over the commitment the world's trading nations should make to halt the spread of protectionism.

Their differences have crystallised during the preparations for the meeting later this week in Geneva of Trade Ministers from the 88 countries which are members of the General Agreement on Tariffs and Trade (Gatt).

The Australian Government has since last May been pushing for an agreement among the trading nations for a standstill on all protectionist measures and a progressive winding down of the measures already in place.

EEC trade diplomats, on the other hand, have been reluctant to agree to any commitment which might appear unrealistic in the face of the build up of protectionist pressures in the European economies.

Negotiations on the competing positions are expected to resume today in Geneva following yesterday's meeting of the EEC Council of Ministers in Brussels.

Over the weekend, the EEC tabled amendments to a draft political declaration for the Gatt Ministerial Conference, drawn up by a committee under the chairmanship of Mr B. L. Das of India. This immediately prompted the tabling of counter-amendments by Australia.

The EEC was seeking to weaken, and Australia to strengthen, a text that committed Gatt members to make determined efforts to ensure that future trade policy and trade measures would be consistent with the Gatt rules.

This is presumably a reference to bilateral measures taken to control imports through voluntary restraint and orderly marketing arrangements. The text goes on to say that Gatt members would refrain from measures affecting international competition or which would impair the benefits that the Gatt affords to trading partners.

The next part of the draft text which the EEC would find difficult to live with contains the commitment to dismantle or bring into conformity with the Gatt measures which circumvent existing Gatt rules.

Bilateral arrangements of the type the EEC has reached with the U.S. over steel are generally held to circumvent Gatt disciplines.

The Australian stand is supported by the U.S., but the developing countries have become dubious about the value of a protectionist standstill which would leave in place existing import control measures.

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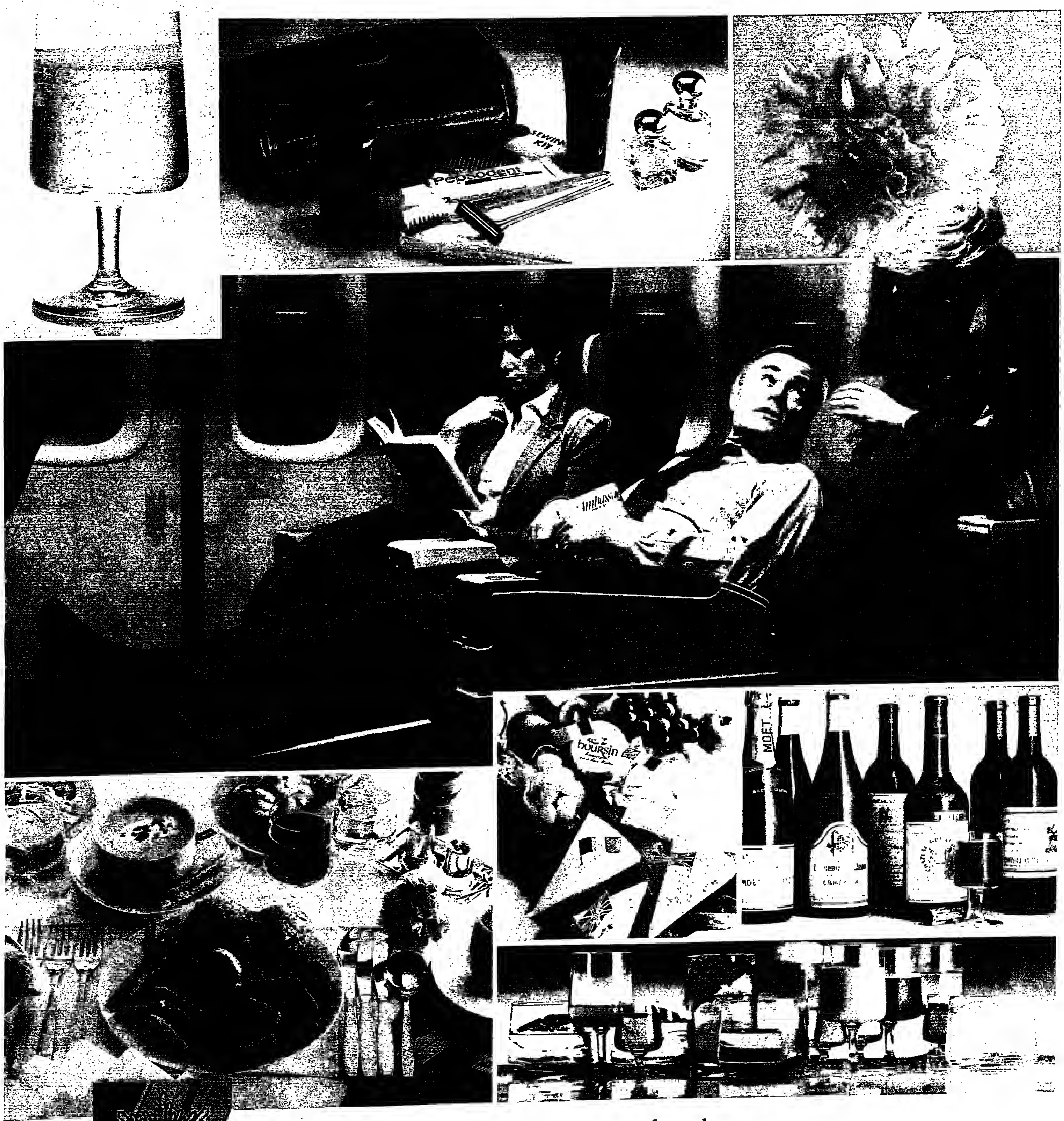

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UK NEWS

Minister unbowed by Britoil sale setback

BY IVOR OWEN

SHRUGGING aside Opposition demands for his resignation, Mr Nigel Lawson, the Energy Secretary, told the House of Commons yesterday that net proceeds from the privatisation of Britoil, the former State-owned oil exploration and production group, were expected to exceed £625m.

He was mocked by Labour MPs, who argued that the undersubscribing of the Britoil share offer, coming on top of the huge gains made by speculators through the earlier privatisation of Amersham International, made resignation the only course open to him.

Only 25 per cent-30 per cent of the tender offer was subscribed and underwriters face immediate losses of up to £30m. Trading in the shares is expected to begin today.

Mr Merlyn Rees, Labour's Shadow Energy Minister, scoffed at Mr Lawson's reputation for expertise in the operation of the stock market and declared: "This is a vote of no confidence from share buyers – and your own chosen constituents."

He claimed that Mr Lawson's overconfident leadership had convinced many small shareholders to buy at a price which would look "very high" today. Mr Rees insisted that Britoil had been "no ordinary flop." To Labour cheers, he said, "This was supposed to be the show-piece of privatisation."

Mr Lawson said the price obtained for the Britoil shares had been "very satisfactory" to the taxpayer, an outcome totally opposite to that predicted by Labour MP's who had envisaged a "City rip-off" with the shares being sold too cheaply. Valid applications were received in respect of just under 70m shares. They had been accepted in full at the minimum tender price of 215p per share.

"The balance of the underwritten portion of the offer for sale – some 185m shares, will be taken up at the same price by the underwriters and sub-underwriters, who comprise some 500 pension funds, life offices and other investing institutions who will hold the shares on behalf of their members, policy holders and shareholders."

Mr Lawson said 99 per cent of all applications came from small investors and employees. There were a little over 35,000 applications for 2,000 shares or less.

Mr Lawson confirmed that the Government would be left with about 49 per cent of the share capital of Britoil.

He came under more fire from the Labour MPs when he gave an assurance that he would welcome an inquiry by the House of Commons Public Accounts Committee into the handling of the sale.

Satellite plan now threatened, BBC says

By Guy de Jonquieres

THE BBC warned yesterday that its plans to start direct broadcasting by satellite (DBS) in 1988 could be threatened if the Government accepted a report recommending adoption of technical standards proposed by the Independent Broadcasting Authority (IBA) in preference to those favoured by the BBC.

It said that the recommendation, taken together with the recent Hunt Report on cable television, raised "the possibility that the financial viability of DBS is dangerously diminished." It would have to examine the financial prospects closely before deciding to proceed as planned.

An official report to the Home Office, published yesterday, urges the Government to decide quickly in favour of the IBA satellite broadcasting system which, it says, is technically superior and could enable Britain to take a lead in setting a common European standard.

The report, drawn up by a committee headed by Sir Antony Part, former Permanent Secretary of the Trade and Industry Department, said that the IBA system was favoured by equipment manufacturers, and its adoption could open up valuable export opportunities.

Though owners of existing television would have to use special converters to receive signals transmitted by the system, known as C-MAC, it would cost no more to install than the BBC's own PAL system, the report suggests.

The Part report warns that adoption of the BBC proposal, based on the broadcasting standard currently in use in Britain, could severely stunt the growth of satellite broadcasting. Though the BBC proposed eventually to introduce a modified DBS standard known as E-PAL, that might never prove commercial feasible.

More UK News Pages 12, 26

Motor industry forecasts £1bn trade deficit

By Kenneth Gooding, Motor Industry Correspondent

BRITAIN'S balance of trade in motor industry products will be about £1bn in deficit this year, according to the Society of Motor Manufacturers and Traders.

It will be only the second time that the official trade statistics will show a deficit on the motor-industry account. Imports outweighed exports by £287m in 1979 but the following year there was a £593m surplus of exports over imports.

The need for the Government to supply some stimulant to the UK motor industry was stressed again yesterday by the society when Mr George Turnbull, its president, met Sir Geoffrey Howe, the Chancellor of the Exchequer.

The society is pressing hard for the removal of the special car tax of 10 per cent to help push registrations from the current level of about 1.5m to 2m.

This would give British manufacturers of both cars and components a domestic market similar in size to those of its competitors in France and Germany.

Spending dips below government targets

BY PETER RIDDELL, POLITICAL EDITOR

PUBLIC expenditure is running at well below planned levels on a very wide range of central government programmes – from the Secret Service to the Manpower Services Commission.

That is revealed in the winter supplementary estimates published yesterday. The Treasury is, nonetheless, seeking approval for an additional £1.5bn in estimates on other programmes for the remainder of the financial year.

That is because underspending on one estimate cannot be used to cover overspending on a separate estimate. But the Treasury says the additional sums do not add to the overall total.

The official expectation is still that public spending will be below planned levels over 1982-83 as a whole.

The Treasury's figures show that central government expenditure in the first half of 1982-83, to the end of September, was £38.9bn. That was £588m, or roughly 1.5 per cent, below the levels indicated by departments. In addition, there has been substantial underspending on capital investment by local authorities.

One reason is that the rate of inflation has declined faster than expected. The underspending is across programmes of widely different kinds. Ironically, there was underspending of £387m in the defence procurement budget in the six months to September. That was partly offset by overspending in the same period of £259m on stores supplies and pay, as a result of the Falklands campaign.

The Government is seeking supplementary estimates of £371m for defence because of the Falklands, and further requests are likely. The other main supplementaries are for agricultural support, £304m, because of increased intervention buying of cereals and milk products; for regional assistance, £150m; and for housing subsidies, £196m. More than £40m is being requested for the cost of improved pay for certain groups of National Health Service staff.

TECHNOLOGY

EDITED BY ALAN CANE

FILM AND VIDEO

New promise in cable television field

BY JOHN CHITTOCK

TWO MONTHS ago, before the Hunt Report and the present media overkill on cable television, this column presented its closing case against the medium—with arguments which now seem widely accepted. I then resolved to leave the subject alone for soma time; not because of fears of upsetting those nice people at the Cable Television Association, but because I guessed everyone would be getting rather tired of the subject.

Last week, however, something happened which broke my resolve. A British company with the unlikely name of Optical & Textile launched a cable television system which is both different and financially pcomising. It uses optical fibres, pcovides high quality colour television relay, and is available now.

It is different technically because it adopts a very simple idea that everyone else seems to have forgotten in the panic: namely, it uses conventional analogue TV signals—not digital—and thus avoids the complexity and cost which seemed inevitable with fibre optics.

There is a catch, of course. The system is not intended for public networks, but simpler installations over relatively shorter distances—even temporary hook-ups for one day events; indeed, some situations where already co-axial cables might be used to pcovide a similar service.

By using fibre optics, however, the installation—whether permanent or just for one day —is made much easier physically and electrically. Co-axial cobles are very heavy to manhandle and pass round awkward corners; they must keep clear of electrical fields, where induction can cause severe problems; and they come in drums of only about 500 m —which means jointing and electrical loss if longer distances are to be covered.

Optical & Textile's basic package comes with one kilometre of optical fibre cable—easily carried by one person, very thin and flexible, and capable of permanent installation or temporary lash-up in places where co-axial cable could never be used. Because the analogue signals of existing TV systems are used, the equipment for converting the electrical pulses to optical ones (for transmission along the fibres) is relatively inexpensive. Cost of a one kilometre outfit is nnder £4,000.

This idea is bound to catch on wherever distances between the head end and receivers are not much more than two or three kilometers. For one-day lash-ups, it may take only half-an-hour to instal — as Optical and Textile demonstrated last week in London, with a very thin cable coming from the roof to a room below.

Hotel systems will be obvious customers for the technology. One company servicing this industry — Hotel Television Network — has just announced that in its first year 25,000 hotel bedrooms have heen connected (conventionally) with an in-house TV service.

There is an old-fashioned name for these uses of television, almost forgotten: closed circuit television. Which, of course, is really what cable television is; but in the excitement over cable the essence of the concept — exclusive connection between one viewer and one pcogramma — has become rather confused.

The video recorder is merely providing a version of closed circuit television. But may not feed just one TV set at the end of two metres of wire; it is now frequently feeding its own private cable network to which dozens or even hundreds of receivers are connected.

I was reminded of this also lost week during a long day as one of the jndges in the annual owards of the Educational Television Association. This organisation especially represents many of the universities which run their own internal TV services (and to whom the Optical and Textile system will be of special interest).

More video programmes are now being made for such networks, for which the audience may be a few hundred scattered around o closed community or just one person shut in a room to become programme-controller and oudience combined.

This is the thinking behind another new venture announced last week — by Henley Distance Learning. For those who have not the time to attend a course at Henley's management school the learning will now go to them — in a multi-media, interactive package comprising videocassette, oudiocassette, and loose-leaf work books. The first, *Accounting for Managers*, will be a comprehensive course for those who should know all about it but don't.

The videocassette, which traces a well dramatised case history, is design to be stopped at various stages so that other parts of the package can be used. The entire course may take about 100 hours, but paced by the viewer not a teacher or programme contcoller.

This is the quintessence of closed circuit television, which video has made possible. It opens up possibilities just as exciting as cable television—ironically a point well demonstrated by the same Department of Industry which is pushing cable so vigorously.

The Department has just sponsored two video programmes for schools—*Head for Business* and *Self Starters*—which come free of charge for schools to keep and use as required. No connection charge, no rental. Both programmes give a clue to present government thinking: let's own businesses.

They do this splendidly—the first with John Cleese as o fuddy-duddy assistant hank manager (whose son hits the jackpot with a new business); the second o documentary account of six successful case histories of people who started on their own.

These programmes really do make the idea of bnsiness exciting, which for school-leavers is quite an achievement. They exemplify, too, how video can do things which cable can't. Thousands of school-leavers will, for sure, view these programmes over the next few months—many on their own, in their own time. And equally for sure, in a year or two Britain will gain a new army of entrepreneurs; thanks to closed-circuit television.

THE $350 WORLDWIDE COMPANY

Exploiting ubiquitous magnets

BY MAX COMMANDER

THE attraction of a magnet is not so much its pulling power but bow it is applied. One U.S. company, in the magnetics business since 1942, believes that it has proved that there is hardly a business or industry where its expertise on the use of magnetics cannot be applied.

Eriez Magnetics was established in 1942 in Erie, a town now of about 150,000 people on the southern shore of Lake Erie. Bob Merwin, the present chairman, is pcoud of the fact that part of his $350 helped bis father to get the company going.

Bob is probably winding down and leaving more and more of the future development of the company to son Richard. But rightly so. Both are proud of a small tightly run ship witb what they claim to be the biggest magnetics research laboratory in the world. It is not really designed for pure research but how to save money for existing and potential customers.

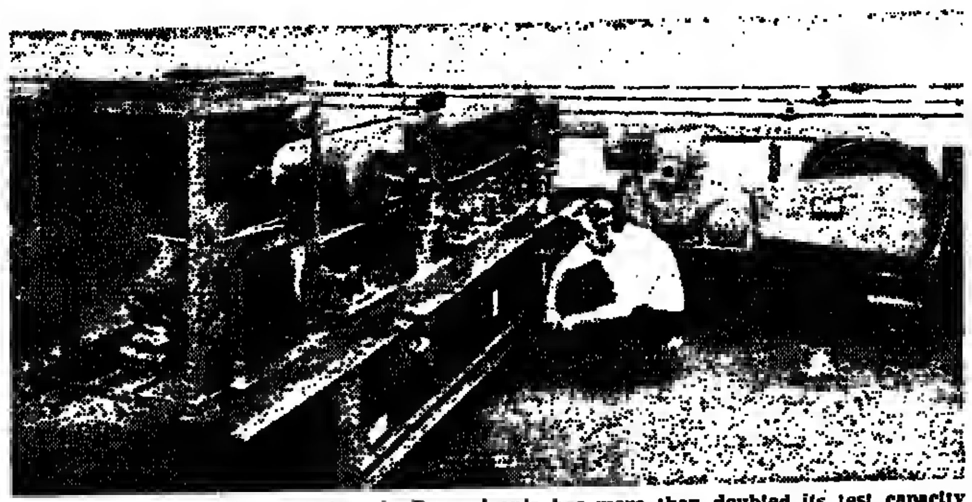
Basically, Eriez is an ideas company. It believes in recruiting the best possible people, a top class outside trouble-shooting force always available for tha customer, which can analyse the materials with which he is dealing and come up with a money saving solution.

The customer can be in the coal or steel industry, in the recovery of ferrous items or even down to recovery in street cleaning. The idea is to put cash flow back into the client—a magnetic formula which appears to hove worked well for Eriez.

The company in this mainly German/Polish immigrant area admits that orders are not so easy to come by as they once were. The recession—with Pittsburgh less than an hour's flight away—is suffering. Steel mills, badly hit, growing unemployment ond, would you believe, a soup kitchen in Erie High Street? is playing havoc with the former American dream.

Nevertheless, Eriez Magnetics has so far avoided laying people off. Mind you, the company is by no means the biggest employer in the town. General Electric of the U.S. has a big plant in the town and the Hammermill Paper Mill still works round the clock turning out 800 tonnes an hour of fine quality writing paper.

The Eriez research laboratory with constantly replaced equipment works on the basis that any company dealing with almost any material can save money by pcoviding that material for analysis and testing and Eriez will come up with an answer to recover hitherto waste products ond therefore save the client money.



The Eriez Central Test Laboratory in Pennsylvania has more than doubled its test capacity in the past five years ood is claimed to rank as the first in the field of applied magnetic and vibrotory forces. About 85 per cent of its work is involved on tests on the magnetic separation of a wide range of customers' materials

Over the years since 1942 Eriez has not confined itself to the U.S. Affiliates or subsidiaries have been established in Canada, France, the UK, Japan and Mexico.

One of the company's brochures, is headed "Magnetic Ideas." It says: "This little booklet is packed with magnetic ideas which can save uncounted thousands of dollars annually for scores of plants in widely varying industries.

Mainly, Eriez works in three areas: magnetic separation, magnamation and vibration. For example, non-electric magnets can remove tramp iron from cinder aggregates in a cement block plant. These plate magnets in standard sizes from four to 72 inches wide are able to remove everything from fine wire contaminants to iron bolts, wire and old sprlogs.

Similar uses for permanent magnetic hump separators can he found in distilleries and one where about 20 pounds of tramp iron is extracted daily from Brooke Bond India in a tea processing plant.

Eriez' HI magnetic filters are designed to remove tiny particles of ferrous contamination from flowing liquids such as ceramic slips and glazes, printiog inks, luhricating oils and chemical solutions.

Other applications can cover the removal of metal particles in blast furnace slag and from processing lines.

Mineral particle recovery

MAGNETIC research is also alive and well in the UK. The Department of Industry is supporting work on a bigb gradient magnetic research facility at the Institute of Cryogenics at the University of Southampton.

Dr JHP Watson says that the aim of the Instituta is to provide o testing and diagnoatic service for industry specialising in fine mineral particle recovery. Dr Watson claims that aluminium particles, usually thought to be non-magnetic, can also be recovered.

High gradient magnetic separation (HGMS) is the university's technique for the filtration of micron sized paramagnetic particles.

Dr Watson says that the procedure uses o ferromagnetic matrix which is placed in an external magnetic field bath to produce high field gradients and a large surface area on to which magnetic particles can be attracted and stored.

The material to he processed is passed through the matrix, nsnally in the form of a slurry. The field is periodically switched off (or alternatively the matrix is taken ont of the field and the magnetics washed off).

Dr Watson points out that HGMS has found numerous industrial opplications, particularly in mineral processing where it pcovides a very efficient technique for particles where normal magnetic separators become ineffective.

The Institute has carried ont in-depth studies of the response to minerals to HGMS, and also constructed o system wherehy particle trajectories and capture profiles can he observed ond recorded on a closed circuit television.

This uses o single wire celt wherehy the materiol captured can he examined with following theoretical calculations to determine the optimum separation conditions.

Eriez Headquarters is at Erie, PA 16512 (814-8339881) or, if you are in the UK (Fred Downie) is at Caerphilly 0222 868501. Dr Watson is at the Institute of Cryogenics, Southampton University (0703 559122, ext 2050).

Machine tools

Lathes for small shops

ADVANCED machine tool technology for the smallest turning shop with a turning requirement has exercised the minds of T. S. Harrison of Heckmondwike, West Yorkshire. The company has now introduced a range of low cost CNC lathes with turning capacities from 280 mm swing x 500 mm centres on the smallest machine and up to 530 x 2,000 mm on the centre on the largest.

Models nsing either the Anilam Crusader II control with options for very simple operations can he provided. Harrison, a member of the 600 Group, is at Union Street, Heckmondwike (0924 403751).

Pumping

Plastic range

A RANGE of plastic sump pumps designed to supplement the existing series of end suction pumps has been introduced hy Crest Pumps, Uddens Trading Estate, Wimborne, Dorset, (0202 874411).

The PPS range is capahle of heads from three to 23 metres and capacities of two to 20 cubic metres an hour. Suspension lengths from hetween 0.5 to three metres can he accommodated in any increment of 100mm.

The hasic construction material is polypropylene with PTFE hearings with carbon or ceramic sleeves for corrosion resistance. Standard motors are metric TEFV, but flameproof motors can he specified. An optional extra is a liquid fume seal for corrosive chemicals.

Full technical details from the company.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why Eric Judd stayed to fight in a depressed area

BY TIM DICKSON

JUST OVER seven years ago North East factory manager Eric Judd received the kind of tempting offer most people simply do not refuse.

"Pick any of our locations round the world," he was told by his employer, a U.S. multinational, "and we'll fix you up there with a good secure job."

Given that Littlefuse (GB), the Washington, Co Durham based business where he was works manager at the time was struggling to halt a sudden 60 per cent fall in sales, Judd could certainly have been forgiven had he accepted this exciting and financially rewarding challenge from its parent the Tracor Corporation.

That against all the odds the likeable Geordie decided to stay put and set up his own business, says more about the obligation he felt to his old workforce—some of whom were threatened by redundancy—than it did about any burning desire to "go it alone."

Few regrets

Looking back today, however, Judd has few regrets. Starting with an initial capital outlay of £4,000 (acquitted by remortgaging his house and matched by an overdraft facility for the same amount from the bank), Penshaw Engineering has grown steadily over the years on the back of nothing more sophisticated than traditional tool design and manufacture and (most important) sub-contract precision engineering.

The company now employs 18 skilled workers, boasts annual sales of roughly £1m and gives considerable satisfaction to its 47-year-old proprietor. (There are no outside shareholders.)

Penshaw was conceived in the middle of the last economic shake-out in the mid 1970s. As such it is a good example of how a small company can survive and prosper even in the most turbulent conditions, given the right combination of skill, flexibility and sheer hard work and determination. And it should perhaps serve as a direct encouragement to other "risk takers" who have been forced to do something on their own in the current recession but who have yet to find their feet.

At the same time, the story of Penshaw contains lessons which government ministers banking on the small firms sector to revive our fortunes would do well to heed.

● On Judd's own admission, for example, his company has largely been successful at the expense of other businesses in the region.

● Like many small businesses in the North East it is also primarily dependent on big companies. While Judd seems confident and adaptable enough to overcome most difficulties, the shutdown of major plants does not make his sleep any easier at night.

● The departure of some of these big companies—which in the past have played a vital part in training local workers—has left the North East short of many of the skills which Penshaw requires. Training is a responsibility Judd has increasingly been forced to assume on his own.

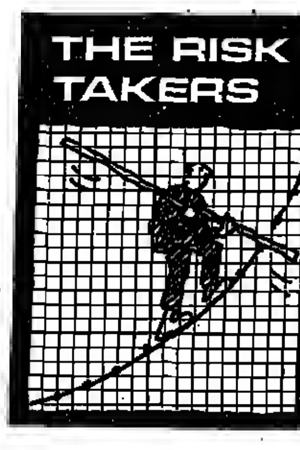
● Finally, although the company undoubtedly has the skills to develop and manufacture its own products and thereby boost its output and its workforce, Judd is understandably wary at the moment of following this course.

Like all successful small companies, Penshaw has got where it is today by identifying a market niche and then filling it. Originally Judd intended to concentrate on tool manufacture and design but while this is by no means an insignificant activity the coming of CNC machines (which do not require as many tools, jigs and fixtures, for example) has forced him to switch the emphasis to precision engineering. Penshaw thus does a wide range of milling, grinding, drilling and turning jobs—primarily for customers wanting prototypes, short batches, or emergency "one off" replacements following a breakdown.

Judd attributes Penshaw's success to three factors—quality, delivery and price, in that order. Being largely dependent on continuing relationships with big manufacturing companies, he is well aware that one piece of poor quality workmanship can cost the company a customer. ("Many of our jobs have to be accurate to a hair's width," he points out.)

Eric Judd: has had only 10 weekends with his family in 18 months

Glenn Copus



Previous articles in this series appeared on October 26, November 2, 9, and 16.

Penshaw's order book, moreover, is a mere three weeks long ("we could be out of business by Christmas," he says somewhat unconvincingly) so the company is only as good as its next piece of work.

Another key factor is Judd's straightforward marketing philosophy. Far from sitting behind a desk and issuing instructions to subordinates, this managing director twins as the "delivery boy," clocking up 18,000 miles a year simply within the bounds of Penshaw's unofficial "territory." (This is marked by Blyth, Northumberland, to the North, the west side of Newcastle and Spennymoor to the south.)

"*I have an excellent girl looking after the office, of course, and this is important,*" he explains. "The point is that when I turn up at a customer's premises with a finished order I am in a strong position to find out what he needs next. This is a vital source of new business."

Production, meanwhile, tends to flow smoothly back at the company's 6,000 sq ft premises in Washington thanks to Judd's close working relationship with Ivan Thompson, his factory manager and Ron Nichols, the foreman. Both worked beside him in the old days at Littlefuse Electronics.

If Penshaw has found a simple but highly effective recipe for success, life as an owner manager has not always been—and indeed is not always—easy for Eric Judd.

Over the last 18 months, for example, he has only had 10 weekends free to devote to his family. "People come in on a Friday wanting something urgently for Monday morning; you can't turn them away. They may not come back next time."

Right from the beginning, in fact, it has been tough going. One of his first moves was to approach Enterprise North, a self help agency based in Durham through which successful local businessmen offer advice to budding entrepreneurs.

Full circle

"I remember coming away utterly dejected after meeting one of their panels to discuss my projected cash flow," he recalls. "With all the problems that were quite rightly raised, I wondered what I was letting myself in for."

Happily, however, the wheel has now turned full circle and *having accepted advice and support when he set out on his own*, Penshaw is today an Enterprise North panellist himself.

Another virtually uninterrupted headache has been his relationship with the bank. "I got fed up with my local NatWest branch manager. He seldom came to see me to find out how his money was being invested, and yet he was always on the phone the moment my overdraft crept over its limit. He only released my house as security about a year ago, even though the overdraft was covered several *times* by business assets. As far as I am concerned the banks have been much too complacent."

Judd finally decided that enough was enough and earlier *this year switched his account* to Barclays. He *says it* is well worthwhile shopping around and even got different terms from two branches of the same bank.

Judd's ambitions are to continue growing steadily—but he sees little chance of a quantum leap forward in the short term at any rate. "I am a realist and intend keeping things under control. What's the point of going out and buying a £50,000 machine if you can't find the orders to fill it? The more overheads you have the more business you need to justify them and this area just hasn't got enough work. As it is we are on a tightrope all the time."

On the question of developing in-house Penshaw products, Judd says he has already had his fingers burnt attempting just this. *Asked* to work on a design with wider applications by a big local customer, Penshaw devoted much time and energy patenting the idea and building a prototype.

"In the *end the company* got awkward, screwed us down on price and eventually we pulled out. The irony is that the customer in question is now importing 40 of these sorts of things a week from Germany."

Manufacturing—a modest role

NEW EVIDENCE of the relatively modest size of the UK small firms manufacturing sector emerges from a study just published by the Department of Industry.*

Although, as the accompanying table shows, an apparently high 94 per cent of UK manufacturing "establishments" are small (defined as having fewer than 200 employees), this percentage is less than that of many countries with a manufacturing industry of the same size.

The number of establishments *per 100,000 employed in* West Germany, the UK, Australia, Canada and the U.S. varies between 1,240 and 1,890. But in Spain and Japan it is around the 7,000 mark and in Italy it *is almost 12,000. (More recent* research suggests that small businesses employing up to 20 people may account for one-third of manufacturing employment in Italy and the figure may be much higher in some regions.)

SMALL FIRMS IN MANUFACTURING

Country	Year	Establishments: Total ('000s)	Small firm share (%)	Employment: Total (m)	No. of establishments per 100 000 employed	Average no. of employees per establishment
Austria	1980	6.5	88	0.61	1,070	94
South Africa	1976	15.5	91	1.36	1,140	88
Germany Fed. Rep.	1975	93.1	93	7.48	1,240	80
UK	1978	108.0	94	7.11	1,520	66
U.S.	1977	350.8	94	18.52	1,890	53
Canada	1978	32.0	95	1.70	1,880	53
Australia	1978	21.5	95	1.15	1,870	53
Norway	1979	13.2	98	0.37	3,570	28
Switzerland	1975	62.7	99	0.95	6,600	15
Japan	1978	744.3	99	10.89	6,830	15
Spain	1978	164.8	97	2.30	7,170	14
Italy	1971	628.5	99	5.30	11,850	8

* Small firms' share of total number of manufacturing establishments in relation to the size structure of the industry.

Notes: Reduced small firms coverage in Federal Republic of Germany after 1975. Australian figures relate to enterprises.

The DoI study, written by Pom Ganguly, statistician in the small firms division, is essentially an attempt to update the conclusions of the Bolton Committee Report in 1971 and subsequent research by Graham Bannock, the economist. It pinpoints the almost universal decline in small manufacturing firms in the 1960s and 1970s (*first identified by Bolton*) but shows that there may have been a slight upturn since then.

According to Ganguly, who has used the Annual Census of Production as his source, small establishments' share in UK manufacturing employment has risen from 27 per cent in 1973 to about 30 per cent in 1979 (the last year for which he has the relevant figures).

Statistics are not universally available for the same year but evidence from other years demonstrates how low this is compared with other major Western countries. In West Germany the figure was 32 per cent in 1975, in the U.S. it was 39 per cent in 1977 and in Japan in 1978 it was 68 per cent.

It is important to note the distinction between "establishments" and "enterprises"—for small establishments can be parts of large enterprises. A *separate* table suggests that small enterprises (as opposed to establishments) accounted for 23 per cent of manufacturing employment in 1978, compared with 21 per cent in 1973.

In a separate breakdown by manufacturing sector, the new study illustrates how small firms are better represented in some industries than in others. In timber and furniture, metals, clothing and textiles the UK small firms sector is at least comparable in size to that of several other countries, whereas in others, such as food, drink and tobacco, it is undoubtedly smaller.

It would also seem that in the 1960s and 1970s self employment, in the agricultural sector and in industries and services other than agriculture, was relatively more stable and on a more modest scale in the UK than in most other Western countries.

The problems of finding compatible and reliable data encountered at the time of the Bolton report have not been overcome in this study. But while it does not claim to be comprehensive, it represents at *least a tentative step forward.*

**British Business, 19 November 1982. Comments and views to Mr Ganguly, Room 226, Ashdown House, 123 Victoria Street, London SW1E 6RB.*

In brief . . .

THE Design Award For Small Firms, a prize scheme organised by the Design Council and sponsored by Mobil, will this year be open to firms with up to 60 employees or an annual turnover of up to £5m. There will be a total of £10,000 of prizes and the winner will be the best designed product "capable of achieving substantial commercial success." Products eligible must be from independent or privately owned UK companies less than five years old. Entries are required by January 28 1983, and the winners will be announced in May. Further information from Terry Garner, Awards Officer, The Design Council, 28 Haymarket, London SW1Y 4SU. Tel: 01-839 8000.

●

WITH THE co-operative movement growing fast a seminar designed to bring together interested parties has been organised by Manchester Business School and the co-Operative Bank for December 13-14. The idea is to review achievements, assess prospects and see whether co-operatives deserve or demand a different response from the conventional commercial sector. Enquiries to Paul Chaplin or Coralie Palmer, New Enterprise Centre, Manchester Business School, Booth Street West, Manchester M15 6PB. Tel: 061-273 8228. Ext 319/322.

●

MALCOLM FIELD, an assistant secretary at the Department of Industry, has just joined the panel of speakers for Friday's "Meet the Buyers" conference organised by the London Enterprise Agency. Field is expected to talk about DoI aids for small firms trying to win central Government contracts and the development of Sir Keith Joseph's "positive purchasing" initiative. There is still time to book in. Contact Ray Cobett, 01-236 2676.

T. D.

UK NEWS

EEC accused of not matching UK steel cuts

BY KEVIN BROWN

BRITAIN's Common Market partners have not taken their full share of cuts in steel capacity, Mr Patrick Jenkin, the Industry Secretary, told the House of Commons yesterday.

Reporting on last week's informal meeting of Industry Ministers in Elsinore, Denmark, Mr Jenkins was given a rough reception by Labour and Conservative Members of Parliament, concerned at the high level of imports from the EEC.

The UK had done its part to reduce overcapacity and become more competitive and the Government would not accept cuts not matched by other member states, Mr Jenkins told MPs.

"It has been made clear to member states that the reductions in capacity so far notified do not measure up to what is needed to bring capacity into line with demand.

"At the same time, it was acknowledged that some countries had done a great deal more than some others," he said.

Challenged by Mr Stan Orme, Labour's Industry spokesman, to announce positive action to save the industry, Mr Jenkin promised: "This country is not going to make all the sacrifices alone."

He told Opposition hecklers, "It is not simply a question of doing these things out of deference to the Community. Our own British steel industry needs to be competitive. It needs to be able to pay its way in the world. The British Steel Corporation must be returned to viability."

Mr Jenkin said that only Italy had been reluctant to participate in the European Commission's plan to axe up to 35m of the 48m tonnes of EEC overcapacity, expected by 1985.

The Government would not accept any special treatment for Italy which would allow state aids, unmatched by productivity gains, he said.

Mr Jenkin said the battery of controls on EEC quotas and prices agreed in Elsinore, with curbs on non-EEC imports accepted by the Foreign Affairs Council yesterday, would improve prospects for British steelmakers.

He rejected allegations by a Labour MP Mr Peter Hardy that the Government had evidence that EEC producers were "cheating."

The consequences of breaking the rules would be a breakdown of the whole arrangements and a "disastrous descent into protectionism," he said.

Mr Jenkin stressed that the Government was committed to maintaining both public and private-sector steelmaking. "This Government has made available substantial amounts of money to help the private sector to rationalise production," he said.

De Lorean inquiry

BY MARGARET VAN HATTEM

A HOUSE of Commons committee yesterday opened its inquiry into the De Lorean affair behind closed doors and decided to continue its hearings in private until police inquiries in Northern Ireland are completed.

However, members of the committee are determined to conduct a full public inquiry as soon as the position on possible prosecution has been clarified.

One of the members, Mr Michael Shaw, suggested at yesterday's meeting that the inquiry should be dropped altogether, but he received no support and later withdrew his objections. Mr Joel Barnett, committee chairman, is expected to issue a statement later today outlining the committee's plans.

The area under investigation concerns the possible transfer of public money to the De Lorean Motor Company in New York or to a related company, Group Product Development, which is based, but not registered, in Geneva.

The Swiss company is run by a Mme Marie Denise Juhan, a close business associate of Mr Colin Chapman, the Lotus sports car company chief, who may later be called to appear before the committee.

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THE ARTS

Chicago Film Festival/Nigel Andrews

My kind of prize town

Few filmgoers brought up on the movie-myth image of Chicago as a place of prohibition and screeching Fords, of derringers and Dillingers, would even recognise the city today. It's an affluent, pin-bright metropolis sprawling round the shore of Lake Michigan. The film festival is the only one in America happily pushing the glitter-and-glamour side of the business as keenly as the cinephile side. Indeed filmgoers seeking purist cine-satisfaction would be better served by either the New York festival or "Filmex" in Los Angeles: both of which prong more challenging movies and build a greater buzz of interest and discussion around them.

But Chicago is cherishable because of a handsome handful of fringe events and as the major competitive event in the U.S. (There are no prizes at New York, L.A. or San Francisco). This year it stood proudly by one of its own proudest "discoveries" R. W. Fassbinder, and presented *Bolwieser*, *Kamikaze*, *Veronika Voss* and Wolf Gremm's fine feature-length documentary on the director, *Portrait of Fassbinder*, in a special portmanteau tribute.

It would also have presented *Querelle*, RWF's last film, if a print hold-up hadn't thwarted the festival. (The film is being re-dubbed from English to German, somewhat perversely, for American release). Since I was on the feature-film jury seven years ago when Fassbinder's *Fox and His Friends* shared top prize at Chicago, I can testify that the festival was busy championing the *wunderkind* at a time when his name was but a gleam in the ear to most of his later-to-be admirers.

The film festival also rolled out the carpet for one of the city's favourite daughters, Ann-Margret. From a humble Chicago high-school girl Miss A-M rose to become a lustrous and leggy legend. She was interviewed on stage by Rex Reed and clips from her films detonated on the large screen behind them like messages from Valhalla. Those who think Ann-Margret is just a pretty face should go on to examine her from the neck downwards and then take a glance at her chameleon performances: as the mauled and dippy blonde in *Carnal Knowledge*, as an unexpectedly witty Lady Booby in *Joseph Andrews* (did she study Beryl Reid for the sham-genteel accent wobbling between Bow Bells and Home Counties?) and most lately as spinsterly cousin to Alan Bates in the WW1-set *Return of the Soldier*.

Tackling a stellar 'event' like this, Chicago can unfurl the full bounty of the banquet. The problem comes with the festival's daily bread-and-butter movie programme, which sometimes—as this year—descends to the level of sliced loaf and margarine. The choice of films was unadventurous-to-lymphatic: with a dullish competition and a well-intentioned season devoted to France's famous 'Gaumont' production-and-distribution company, which ran aground because the festival chose to screen all Gaumont's most sleekly null costume epics and overdressed thrillers. They rolled off the production line like unwanted parcels from Bermans: *Guy de Maupassant*, *La Nuit de Varennes*, *Hotel des Amériques* . . .

The competition, though, was not without its high points. Top prize of Golden Hugo went to Robert Altman's *Come Back to the Five and Dime, Jimmy Dean, Jimmy Dean*, on which I sent a dispatch from Venice. It's stagebound, true, this screen version of a Broadway play about a James Dean fan club shimmering in the Texas desert and their own memories. But under Altman's alchemy, Sandy Dennis, Karen Black and Cher turn in high-power performances.

The sprightliest movie revelations were from Greece and Holland. George Katakouzinos's *Angel* has the dangerous glitter of a kitchen knife in the bedclothes: a tale of transvestism and revenge, gigolos of the night and pimps of the perverse, crowned by a mercilessly bloodstained finale. It's not a masterpiece, or even a particularly well-crafted film. But it's strikingly uninhibited and free-spoken melodrama to come from hitherto censor-ridden Greece.

Orlow Seunke's *A Taste of Water* maps the stormy relationship between a bearish, Bohemian Dutch welfare worker (Gerard Thoolen) and a retarded, slum-bred girl (Dorijn Curvers) whom parental cruelty and neglect have turned into an untamed, inarticulate human quadruped. This is *L'Enfant Sauvage* or *The Miracle Worker* with the gloves off and the instruments of the civilising process cheerfully unsterilised. Like *Angel*, it's a film made without cinematic punctilio, but it carries an undeniable charge.

American independent cinema contributed two films that promised more than they delivered. *Purple Haze*, directed by David Burton Morris and written by Victoria Wozniak, is a well-shaped story beautifully shot by Richard Gibb. We're in the late 1960s and a Botticelli-curled young drop-out (Peter Nelson) is kicking his heels in the nervous limbo-land between leaving university (expelled for pot-smoking) and perhaps being drafted (but he hopes not) to Vietnam. Protest, pacifism and Bob Dylan are in the air.

The two main characters, Nelson and his fast-living ex-school pal played by Chuck McQuary (plump, puckish and holy-innocent), are brightly drawn. But elsewhere the movie seems like a parasite fatted on ten years of tears-and-blood post-Vietnam disillusionment. Its work has already been done for it, its anti-war arguments won (at least in the popular mind) and its heroes and villains iconised. So the snipes at parental or institutional authority—blinkered martinet Dad, bawling U.S. Sergeant—seem facile and *deja vu*, the film's agonies those of a tortured yesterday relived in a cosy today.

Marc Huestis's *What Ever Happened to Susan Jane?* is built around a movie *trouvé* of wild and durable hilarity. Forth from the trashcans of history Huestis has scooped, salvaged a real 1950 educational film about a gauche young schoolgirl learning to be socially accepted "What's the matter, Susan Jane?" croons the piously celestial over-voice, as Klieg-lit Susan J. cowers against flower-papered walls; "Aren't your friends inviting you to their party?"

Around snippets from this authentic monochrome memento is built a modern-day story in glorious awful-colour, written and directed by Huestis, in which grown-up Susan Jane has now become the life and soul of punk-culture L.A. Wild parties, marijuana, trilling transexuals. Everything except, unfortunately, wit, as Huestis tries to bow to Andy Warhol and John (*Polyester*) Waters at the same time and not surprisingly splits himself clean down the middle. But the 1950 Susan Jane should be rescued for independent preservation.

Elsewhere in Chicago the good, the bad and the peculiar jostled in equal measure. A strong flotilla of British films boasted Colin Gregg's *Remembrance* and Peter Greenaway's *The Draughtsman's Contract*, as well as *Brimstone and Treacle* and *Britannia Hospital*, and carried off a special Hugo award in recognition of the renaissance of British cinema. Two anthology programmes of prize-winning TV commercials—and a rousing hurrah, please, to Chicago for shining a yearly flashlight into this neglected corner of movie endeavour—also showed the British in proud light. On this evidence, our native commercials industry is far and away the best in the world.

Finally, the Plastic Hugo award must be unequivocally given to Sergei Bondarchuk's *Red Bells Part 1* (*Mexico in Flames*). This authentic piece of co-production lunacy — first part of a two-feature Russian-Mexican diptych about John Reed, designed as a red riposte to *Reds* — gives us Franco Nero as Reed footloose and credibility-free in revolution-torn Mexico. The dialogue's weighty inertia has to be dropped on your toes to be believed. And when not cudgelling us with political messages in the land of Zapata, the film flashbacks us to Rome, Italy, where Reed enjoys a gaspy high-tone romance with beautiful society hostess Mabel Dodge Luhan (Ursula Andress). "Oh John . . . John . . ." "Oh Mabel . . ." etc. *Reds* was not without its imbecilities, but beside this it seems a masterpiece.

Scene from "Whatever happened to Susan Jane?"

Muriel

London Galleries/William Packer

At home with Muriel

There are dealers who deal, and there are dealers who vary the pace a bit, arranging a show from time to time around a certain theme that might seem to them a good idea. Michael Parkin has always been conspicuous among them, devoting quite as much time and energy as discrimination to his researches within his particular field, which roughly stated is British Art since Whistler: and specialising further still, he appears to have made his own the almost sociological though never earnest study of the connection that has existed at different times between certain coteries of the art world and particular social establishments, usually primarily concerned with the provision of food and drink. The old Café Royal, Boulestin, The Fitzroy Tavern: now it is the turn of Muriel's, that is to say The Colony Room, the Soho drinking club set up by Muriel Belcher just after the war, and over which she presided, by all accounts, with such benign aggression. She died three years ago, but her club survives, and this exhibition at the Parkin Gallery (until December 4), of work by some of the artists who have used it, is a tribute to her memory.

They are a very mixed lot, and there are no conclusions to be drawn from their association, no new theory or gloss to be applied to hold our post-War art together in some fresh coherency: but it is odd how representative of their time they are, and remarkable how good so many of them are, or were. Lucian Freud, Francis Bacon (who painted a number of magnificent portrait studies of Miss Belcher), Michael Andrews (who painted the Colony Room itself, and whose own portrait by Freud is here on show), Frank Auerbach, Peter Blake, the Roberts Colquhoun and MacBryde, John Minton (his portrait too by Freud and shown here), Eduardo Paolozzi, Hubert Dalwood, Karl Weschke, Keith Vaughan, Robert Buhler—the list is arbitrary and long. And if Augustus John presides as the Grand Old Man of the catalogue, artists of a much younger generation were made welcome too: Tim Berhens, Martin Fuller, Michael Clark.

These things cannot be forced. The English, artists and all, are not informally and publicly clubbable in the easy Continental way of café and brasserie, and whatever social focus does appear for a while to serve its turn is all the more welcome for that: the pub perhaps, the particular café or restaurant, the louche, clandestine drinking club, in each case the entrée given by word of mouth and the accidents of the social round. We do indeed love to take our pleasures secretly. Nibs Dalwood was always arranging to meet me at Muriel's, but he never did. He died, the moment passed, and I never went there, to my great regret. It is good to know that under Ian Board the Colony Room goes on, and the opportunity is not altogether lost.

Bryan Robertson is another great organiser of exhibitions, indeed one of the best, but he was never a dealer at all. Curator at the Whitechapel in the 50s and 60s, one of the most distinguished gallery directors in modern times, he is still at it in a somewhat looser way as programme director for the Warwick Art Trust in Pimlico. His policy has been not to bring on the talented young, nor yet the celebrated and well established, but rather to give to artists of reputation in mid-career the chance both to declare and to review their achievement so far. The disciplines are tight: the galleries, beautiful though they are, are small and difficult to use, and the work must be rigorously chosen, and as carefully disposed. Robertson himself, loyal as he is to the artists with whom he has been associated over the years, is hard to please. A show at the Warwick has already become a kind of accolade.

The latest recipient is Ivor Abrahams (until December 4), who is showing a selection of his sculpture of the last 10 years. His subject is the landscape, and more particularly the closely contrived and contained landscape of the formal country garden, with its careful hedges, walls and statuary. The imagery is figurative, and direct enough, the scale established by familiarity and the implication at least of a human presence. The bulbous hedge folds and breaks about the wall or balustrade, a natural sculptural conjunction of organic and architectural reference. But whereas the earlier pieces were more literal in their realisation (the metal or the resin of the piece flocked and painted) the subsequent development of the work in bronze, the image simplified and unified by the material, and the patinated surface integral to it, takes it into an area altogether more sculpturally ambitious and truly monumental, for all that certain of the bronzes are small.

Another sculptor, too much neglected critically in recent years, is Kenneth Armitage, now showing at the Taranman. He too is preoccupied with the Figure in the Landscape (albeit less intimate, more park-like a setting), at least in his graphic work and collages, which explicitly describe and investigate the relation. Landscape elements are cannibalised from his older prints, and figures that relate to his sculpture are drawn and collaged onto them in simple and surreal conjunction. They make the point that the figures of his sculpture, worked as it were from an opposite pole to Abrahams, rather than suggested by the landscape, themselves suggest it, set firmly within their own peculiar but unstated spaces. Formal, frontal, hieratic, the little seated girls as exquisite as any Egyptian figurine, there they are, in a world of their own.

*

Paul Huxley, now well established in mid-career, is showing new paintings at the Juda Rowan Gallery (until December 18). The work is abstract and deceptively simple, the flat rectangular forms stated with more freedom than is at first apparent. The format is consistent, the canvas split, the left-hand side putting up a restrained and formal proposition, with which the right sustains a brisk and subtle dialogue.

John Morley, at the Piccadilly Gallery (until November 27), is enjoying his first London exhibition, surprisingly late a debut but understandable, for his work is infinitely meticulous. He has been loosely associated with the Ruralists, and shows here a *few* landscapes, and some larger rural idylls; but the heart of the work, or at least the show, is the still-life, most especially a series of unforced, unaffected studies of flowers.

And at the Wraxall Gallery (until early December), two artists: Roy Turlington, whose curiously fresco-like paintings rely less on repetition for their decorative effect, that now comes easily out of his observation of nature: though his surfaces are as aged and worn as ever, and the swans and trees as simple. With him is Mike Grevatte, a sculptor, who is showing carvings of heads and, most especially of swans.

Finally, for we cannot forget that Christmas is coming, two shows at the Crafts Council Gallery: (until January 30), a show of lights designed by artist-craftsmen, cheap (I thought), imaginative demonstrably useful domestic sculpture; and a show of Christmas trees (until January 9). The Council invited ten artists (including one pair) to dress the Christmas tree, and there they are, nine trees very well dressed indeed, from Andrew Logan's giant Fairy, the tree her own crinoline, to Annette and Peter Boltons' on its trolley beset by a wonderful spiral of dragons.

Candide/New York City Opera

Andrew Porter

The New York City Opera has had a big public success with its production of Leonard Bernstein's *Candide*. Bernstein's? Well, the music is still his, but it's not sung in the order he intended, or (in many cases) by the characters he wrote it for, or to the words to which he composed it. It's an "opera-house augmentation" of the one-act Broadway chamber-opera *Candide* of 1973, nor a revival of the 1956 original (which London saw at the Saville, with Denis Quilley, Mary Costa, and Edith Coates, in 1959). The original *Candide* was a musical created — like *The Magic Flute* — by a band of inspired collaborators: Bernstein, Lillian Hellman (book), Richard Wilbur (lyrics), Tyrone Guthrie (producer) Oliver Smith (designer). It was a popular entertainment that dealt with serious matters. As André Maurois said of Voltaire's *Candide*, it was "admirable as a work of art," and through the cascades of buoyant invention there ran something that could "afford the mind that troubled, tragic repose which is given only by great poetry."

The Broadway *Candide*, produced by Harold Prince, with a new book by Hugh Wheeler, was a slick, skilful vulgarisation. The City Opera version by the same team, is vulgar all right but hardly slick or skilful. It's an abominable show: and not only because Bernstein's opera is destroyed in all its larger aspects. (The brilliance of the musical invention can't be quenched; the individual numbers shine. But the relations between them, their deeper sense, the careful architecture, the poetic match of music with words, the visionary quality—all thrown aside in a mindless pursuit of quick effects!) The setting is dowdy, the lighting rudimentary. The dialogue is slow. The "comics"—Pangloss, the Governor, the Old Lady—produce the low broad shtick they trot out in all the City Opera's operetta efforts. And much of the singing is dreadful.

On the bright side: John Mauceri, the conductor, is admirable and he has restored musical integrity to some numbers that were mangled in 1973. Moreover, five numbers that were dropped in 1973 have been reinstated (welcome, even though they appear now in irrelevant contexts and to new texts). David Eisler is a Candide who rises above the clutter and rubbish all around him to find the poetry, the romance, the honest emotion and the small bright ray of reasonable hope, making life's tragedy just endurable, that shine in both Voltaire's book and Bernstein's original opera. His singing and his acting are sincere and unaffectedly eloquent. His tenor is sweet and true.

Erie Mills might be an acceptable Cunegonde if she were not directed as a pert, shrill little floozie: Mr Prince emphasises, instead of correcting, the flaws of this promising, accurate Blonde and Zerbinetta—edginess, brittleness, a lack of sweetness and romance. When the Birmingham Rep brought the 1973 *Candide* to the Edinburgh Festival last year, *Opera*'s critic "hoped that this airing may encourage one of our opera companies to tackle the piece in its original form." I echo this hope after this City Opera airing. Their yet more debased version merits no further currency.

The other new production of the season (besides those already mentioned in these pages) was of Gluck's *Alceste*. Its single virtue made it complementary to the Kentucky production of the piece Max Loppert reviewed recently: Raymond Leppard's conducting combined the feeling for individual lines which turns Gluck's phrases into direct emotion, the sense of proportion which makes the architecture of the acts beautiful and moving, and the long line that seems to run unbroken through the drama.

The rest was feeble. Heather Harper was an odd choice of heroine. Though she made her debut, 28 years ago, in a dramatic role, Lady Macbeth, she has made her reputation mainly in parts like Elsa and Ellen Orford. She displayed what the *New Grove* nicely defines as her "quiet confidence in her own considerable abilities," and she sang with expression. But she was not heroic or exciting. There was a passable but stolid Admetus, Jon Garrison. The set was rumpled walls against a wrinkled sky. Brian Macdonald's staging suggested eurhythmics in a village hall.

David Eisler

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 19 – 25

Opera and Ballet

WEST GERMANY

Berlin Deutsche Oper: Orpheus and Eurydice features Hanna Schwarz and Gudrun Sieber in the main parts. Die Meistersinger von Nürnberg has Ann-Marie Häggander and Theo Adam. Also this week, Carmen, Der Wildschütz and Il Trovatore with fine interpretations by Eva Randova and Franco Bonisoli in the leading role.

Hamburg Staatsoper: Jose Carreras as Rudolf and Katia Ricciarelli as Luisa star in Luisa Miller. Parsifal, an August Everding production, features Franz Ferdinand Nentwig and Bayreuth tenor Peter Hofmann. Achim Freyer's ultra-modern production of Die Zauberflöte was controversial.

Cologne Opera: This week's highlight is Arabella, conducted by John Pritchard, with Kiri Te Kanawa and Krisztine Laki.

Frankfurt Opera: The week's programme starts with Ariadne auf Naxos, a fresh and delightful revival. Rigoletto, with guest conductor Carlo Franci, has an all-Italian cast including Bruno Pola in the title role. Der Fliegende Holländer features Robert Hale in the title role and Marita Napier as Senta. Aida has Rosalind Plowright in the title role. Der Türke in Italien is conducted by the talented American Judith Somogyi. Fidelio completes the week.

Stuttgart Württembergisches Staatstheater. Manon Lescaut with an all-Italian cast has fine interpretations by Maria de Francesca-Cavazza and Raymond Wolansky. Janacek's Katja Kabanova will be performed this week, as well as Salome, a revival produced by Götz Friedrich, with Karan Armstrong in the title role.

Munich Bayerische Staatsoper: La Cenerentola produced by Jean-Pierre Ponnelle commands attention. Manon Lescaut is perfectly cast with Anna Tomowa-Sintow and Giorcio Lamberti. Eugen Onegin is of respectable standard. Idomeneo with Julia Varady is well worth the effort. Die Vier Groblane rounds off the programme.

LONDON

Royal Opera House, Covent Garden: The Royal Ballet in Giselle, preceded by Four Schumann Pieces, an exercise in dank choreography that has the texture and appeal of wet rot.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre triple bills.

PARIS

Paris Opera alternates Eribert Reimann's Lear with Midsummer Night's Dream, a poetic ballet by John Neumeier. Opera Palais Garnier. (742 5750)

Opera Comique: Tales of Hoffmann conducted by Alain Lombard, produced by Jean-Pierre Ponnelle with Neil Shicoff as Hoffmann. Opera Comique-Salle Favart. (296 1220)

The Merry Widow – Theatre Musical de Paris-Chatelet. (261 1983)

Four Notes Opera, Centre Georges Pompidou, Grande Salle. (276 7995)

Kiri Te Kanawa

NEW YORK

Metropolitan Opera (Opera House, Lincoln Center): First seasonal performance of Tannhäuser joins performances this week of Lucia di Lammermoor, Macbeth and Il Barbiere di Siviglia. (580 9830)

New York City Ballet (New York State Theater, Lincoln Center): The 77th season gets rolling in its second week with a mixed repertoire before Nutcracker takes over for a whole month. (870 5570)

Joyce Theater (175 8th Ave.): Murray Louis Dance Company conclude their first local season in two years, featuring premieres of Many Seasons, A Stravinsky Montage and Aperitif, with a new Louis solo. (242 0800)

CHICAGO

Lyric Opera of Chicago (20 N. Wacker): Miguel Gomez-Martinez conducts Harold Prince's production of Madame Butterfly and Bruno Bartoletti conducts La Voix Humaine and the Zeffirelli production from the Metropolitan Opera of I Pagliacci. (346 0111).

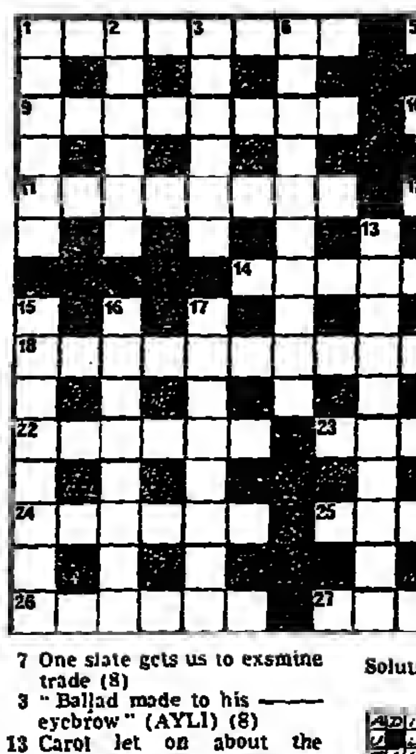
Goodman Theater: Last week of the popular Hubbard Street Dance Company's season of mixed repertoire. (443 3500)

VIENNA

Staatsoper (53242655): Madame Butterfly, Der Rosenkavalier, Le Nozze di Figaro, Pique Dame. Pique Dame, a new production, has its premier on Monday conducted by Dimitri Kitaenko and produced by Kurt Horres. Costumes and scenery are designed by Andreas Reinhardt. Lisa will be sung by Caterina Ligendza, the Countess by Christa Ludwig and Hermann by Rene Kollo.

Volksoper (53242657): Die Ungarische Hochzeit, Kiss me Kate, Die Zauberflöte, Die Csardasfürstin, Pariser Leben, Wiener Blut.

F.T. CROSSWORD PUZZLE No. 5,032



ACROSS

1 A sticky start, but it's commonsense (8)
5 Uncertain in the business (6)
9 Bloody, bold follower (8)
10 The Mosaic way our (6)
11 V.I.P.s put money in horses (8)
12 Nearer one hundred on one that does not win (6)
14 Extremities sound confused in a courageous action (4, 2, 4)
18 Turns on a Pope—her morals are in question (2, 8)
22 Naomi's daughter in the Welsh town (6)
23 Shouts of warning are annoying in the growth of timber (8)
24 A paper gets on in the Spanish province (6)
25 Thus in form for five races (8)
26 There's my girl (6)
27 Goes to pieces when the interval is over (6, 2)

DOWN

1 Artist in pledge for safe parking (6)
2 Young girl finds nearly everything in a prayer book (6)
3 There is some bother about the French in Spain (6)
4 A neutral position (2, 3, 5)
6 Hereafter enjoyed by the cat on many occasions (4, 4)
7 One slate gets us to examine trade (8)
8 "Ballad made to his —— eyebrow" (AYLI) (8)
13 Carol let on about the schoolboy's wear (4, 6)
15 Multiplication—you can't be stumped here (8)
16 Perplex Pluto with a pamphlet (8)
17 A play by Sophocles and Anouilh (8)
19 Country for the blind (6)
20 The way up for the celebrities about one (6)
21 The Sophy's aromatic plant (6)

Solution to Puzzle No. 5,031

FINANCIAL TIMES
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Tuesday November 23 1982

Trade and currencies

THE CONFERENCE of the General Agreement on Tariffs and Trade opens in Geneve this week in a defensive mood. With the world recession still deepening, the British Labour Party committed to economic isolationism, and a country as important as France openly mocking the rules, the trend to protectionism is now more than a drift. It will take something more than the wittily-expressed convictions of President Reagan, supported by two former presidents, to check it.

Protectionism is encouraged above all by two sentiments: uncertainty and despair. After several years of dizzying changes in competitiveness and the terms of trade, the temptation to retreat a little from a turbulent world market is understandable. When it is reinforced by ever-gloomier forecasts of world growth and trade, the arguments for participating in the growth of world markets, as we all did so successfully for more than two decades, lose their appeal.

The best way to check protectionism is to analyse and address these underlying problems; the trade ministers unaided can aim no higber than at mounting e rearguerd action.

Worries

The volatility of world financial markets and exchange rates may be in the course of subsiding, although that is hardly how it feels as the huge distortions of recent years are unwound.

The Opec balance of payments surplus, the source of the flow of mobile financial capital which has made markets unstable, has dwindled sharply.

At the same time tha Euromarkets, beset with worries about past loans, have become far less efficient transmitters of funds. As a result, we may be nearing the end of the period in which capital movements dominated the exchange markets, and on which exchange rates explained trade performance, rather than the other way round.

If this is true, then the recent movements of sterling and the Japanese yen can be seen as part of a pattern, in which trade settlements reassert their influence over exchange rates. This adjustment is lieble to be disruptive while it lasts, but it is already helpful in one sense: it tends to relieve competitive pressures in countries, such as Britain, the U.S. and France, whose currencies have become most over-valued from a trade point of view and in which protectionist sentiment is strongest.

However, if markets are to become more stable as well as more realistic, they will need time, and could benefit from official help and guidance. The extreme volatility of recent years has created a financial structure in which all borrowing is essentially short-term, in that it is impossible to forecast the costs of long-term finance.

Domination

This could initially be seen as one of the costs of inflation —a market reaction which inhibited long-term investment to make room for excessive current demand. In the present world-wide depression, it is clearly e damaging malfunction of the financial markets. The revival of an active market in private-sector long-term securities must remain a major policy objective, as it has been in this country for some time.

Progress here depends not only on reducing inflation and interest rates, but on reducing government domination of the market for new securities, and especially of the fixed-interest market. That is one good reason why America's trading partners continue to complain about the size of the U.S. federal deficit, which affects all markets and all long-term interest rates.

This is not the only reason, however. Experience has shown that U.S. montary policy has not only a world-wide influence but a disruptive one. Because the U.S. authorities take no account in their monetary targets of the effects of their policies on other countries, U.S. policy tends to cause world-wide inflation when it is permissive and world-wide recession when it is restrictive. That effect, now known by the name of Professor Ronald McKinnon, goes far to explain the depth of the present recession.

These financial ills will not be cured quickly but they should be more widely discussed and given more weight in policy. If governments were more clearly committed to help the recreation of stable, well-structured financial markets, they might achieve more than any number of pious truisms to foster hope for the long-term. That is the best antidote for the despair which begets protectionism.

Lessons of the Britoil sale

THIS MORNING the Britoil share price is likely to open in the stock market at e sizeable discount on the offer for sale price of 215p (with 100p paid initially). A complex process of redistribution will now take place between those sub-underwriters of the issue who have involuntarily ended with more shares than they really wished to hold as investments, and other buyers, whether institutional or private investors, who are willing to pick up the shares at e suitably lower price. This possibly lengthy procedure could mean thet e cloud will persist over the share price for a period which may last for many months.

Although only 70m of the 255m shares of Britoil being offered by the Government last Friday were subscribed for, Mr Nigel Lawson, Energy Secretary, has claimed that the issue was fully successful. Certainly, the Government's main aims have been echieved: Britoil has been privetised, with 51 per cent of the shares moving into non-state hands, and what seems to be a full price has been obtained. The major negative objective—to avoid any repeat of last February's speculative scramble over the issue of Amersham International—has also been echieved.

Satisfactory

Plainly, however, an offer which is 73 per cent left with the underwriters is regarded in plain man's language as a resounding flop. It mey be satisfactory to be able to claim the insurance quickly, but it would have been better never to have crashed the car in the first place. And in one particular aspect the Government has fallen far short of its aim. Ownership of Britoil will be firmly concentrated in institutional bands; small private shareholders, though more than 30,000 in number, will hold perhaps only a tenth of the equity.

Whatever the Government's political desire to promote wider ownership, the need to get e high price came first. Certain measures were taken to encourage small investors — a one-for-10 bonus on shares held for three years, and a special position in the tender (though in the event all the shares went at the minimum price). At least it is likely that most of the private applicants were serious long-term investors, rather than in-and-out speculators. But to get a bigger response, it would have been necessary to design the issue differently. A single week, between prospectus publication and application deadline is not long to capture the imagination of a wide investing public, especially as Britoil, as e company, was hardly known to the man in the street. To stretch out the issuing timeteble, however, would heve made it more expensive — or even impossible—to obtain institutional underwriting.

Implications

As for the institutions, they are left with immediate underwriting losses and will have to consider the implications for future equity issues by the Government. Certainly Mr Lawson was unapologetic yesterday. "Britoil has been successfully privatised on eminently fair terms for the taxpayer," he said, without explaining how a fair deal could leave the buyers showing a probable loss.

In terms of history, the Britoil "failure" is easily explainahla. Investors made quick profits on previous Government sell-offs—especially on Amersham, but also to some extent on British Aerospace and Cable and Wireless. Britoil has corrected that balance, but in the process has extinguished much of the goodwill created earlier towards the privatisation programme in the City of London. The next issue is likely to face a much more critical reception.

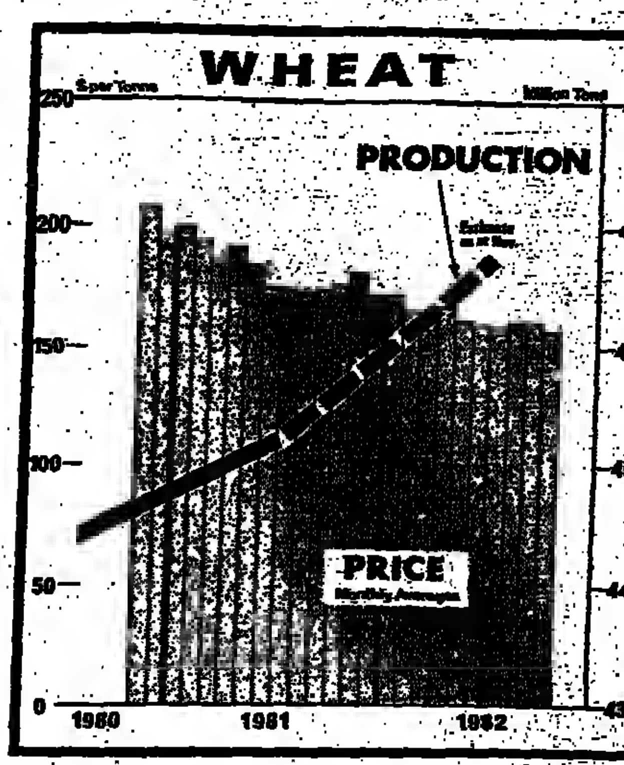
If history could be rewritten, it would have been the Amersham issue which would have been mounted on a tender basis rather than Britoil (which featured an overcautious minimum price, at that).

There is no simple lesson for the future. Such organisations as British Telecom, British Transport Docks Board and British Airways, if they ever reach the stock market, will all require very different solutions. The key questions are whether the Government will find it possible to work more harmoniously with its City of London advisers, and whether it will be politically acceptable for the Government to leave e profit—albeit e modest one—for the investor.

INTERNATIONAL AGRICULTURE

Squeeze behind the surplus

By Our Foreign Staff



Martyn Barnes

FROM Winnipeg to Wellington, from Kansas to Christchurch, many of the world's temperate farmers are facing their worst financial difficulties for years.

Continuing high production of temperate produce—such as wheat, beef, lamb and dairy produce—in the midst of world recession has sent prices tumbling and farm incomes with them.

The financial squeeze has been greatly intensified by high interest rates: many farmers rely heavily on the banks for loans to see them through between harvests.

And in Australia the weather has conspired with these market factors to bring many farmers to the brink of disaster. The country is in the grip of its worst drought this century. Many crops have been ruined and there have been large-scale stock slaughterings.

Around the world the number of farm failures has been rising.

In the U.S. the Government estimates that net farm income, adjusted for inflation, has fallen this year to its lowest level since the depths of the depression in 1933.

The size of America's grain surplus and the strength of the farming lobby have been underlined by President Reagan's offer to sell the Soviet Union up to 23m tonnes of grain—almost three times the amount required under e long-term U.S.-Soviet agreement.

The Soviet Union is experiencing its fourth poor harvest in succession — 170m-180m tonnes of grain are forecast—and may have to import up to 50m tonnes. However, the Russians are believed to be seeking as much of this as possible from non-U.S. sources.

The plight of the farmers is having a major knock-on effect on other sectors. Less fertiliser is being used. According to one recent estimate it may be 1984-85 before U.S. grain acreage and prices recover sufficiently to raise fertiliser consumption back to the record level reached in 1980-81.

Less farm equipment is being purchased, compounding the dire financial problems facing two big North American farm machinery companies, Massey-Ferguson and International Harvester.

Recession apart, farmers in the U.S., Australia and New Zealand blame the EEC for some of the market problems they face. Under the Community's Common Agricultural Policy, EEC farmers are paid guaranteed prices for their products and those not consumed within the EEC are exported at subsidised prices.

As e result, Europe's share of world agricultural trade has risen sharply in recent years.

European farmers, however, have not been entirely immune from the effects of the recession. Official EEC figures suggest that real farm incomes dropped some 7 per cent in 1980. There appears to have been some improvement since. Last year, for example, UK farmers' incomes are estimated to have risen 14 per cent—significantly above the rate of inflation.

A good summer has meant excellent cereals, sugar and fruit crops in Europe this year, while milk production is estimated to be running some 2.7 per cent above 1981. The result will be even bigger surpluses to be disposed of on the world market, which is liable to increase tension with the U.S., New Zealand and Australia.

The U.S. and the EEC are already in the early stages of what could turn into an agricultural trade war. The U.S. has filed several complaints with the General Agreement on Tariffs and Trade (Gatt) over EEC agricultural subsidies.

The EEC asserts for its part that the problem is not one-sided, that the U.S. protects its own agricultural markets and

Danger of a trade war between U.S. and EEC

that some of its support mechanisms are similar to those in Europe.

The U.S. Administration introduced last month e new agricultural export credit programme—a three-year $1.5bn "blended credit" system widely seen as an initial challenge to EEC export subsidies.

"We have only one alternative," Mr John Block, the U.S. Agriculture Secretary, said recently. "The alternative is to deviate temporarily from our free-market stance and engage in costly short-run trade wars. If that is what it takes to achieve the principles of free markets, then we will have to start looking more seriously in that direction."

International trade in agricultural products will be e central issue faced this week when nearly 90 trade ministers gather in Geneva for the first Gatt ministerial conference since 1973. The gloomy backdrop against which their discussions will take place includes:

● The U.S. Weak export markets, high interest rates and rapidly rising production costs have hit the American farmer hard during the past two years and bankruptcies have mounted sharply. The interest paid by farmers last year exceeded net income for the first time in history. Nationally, farmers had $10 worth of debt for every dollar of net income.

Farm machinery purchases fell by $500m last year to $12.5bn and the trend is continuing. In the first eight months of this year four-wheel tractor sales were down by 28.6 per cent, combine harvesters by 43.5 per cent and balers down 33.9 per cent.

Government attempts to help the sector have been extremely expensive, with outlays rising from nearly $2bn in 1981 to $4bn-$4.5bn this year. The aid programme includes "deficiency payments" to farmers when commodity prices fall below a certain level.

Commodity prices have been sliding all year and there is no sign of a change in the trend—particularly as the Department of Agriculture is forecasting a record maize crop (8.32bn bushels; up 1 per cent on 1981), a record soyabean crop (2.29bn bushels, up 13 per cent) and another large wheat crop (2.77bn bushels, down 1 per cent from last year's record).

During the 1970s agricultural exports grew in both volume and value terms almost every year. This year volume is expected to be little changed from 1981—163m tonnes—while value is expected to fall 8 or 9 per cent to around $40bn. The recession epart, exports are being hit by the strong dollar.

But there are glimmers of light on the horizon. The recent sharp fall in interest rates will provide some relief to indebted farmers, while the Department of Agriculture expects some improvement in commodity prices next year if the world economy picks up.

● Canada. Weak international wheat prices, resulting from the U.S. surplus, mean that Canadian farm cash receipts in 1982 will only be 2-4 per cent up on 1981's C$18.6bn, according to federal Government estimates. Adjusting for an inflation rate of about 10 per cent, real income will show a substantial decline.

Farm exports last year totalled C$8.8bn, with 22.4m tonnes of wheat accounting for C$4.1bn of the total. This year's target for wheat exports is 26m tonnes, but lower prices means that in value terms there will be a rise of only 1 or 2 per cent.

The squeeze on incomes, uncertainties over the cost of money and unstable livestock prices have all depressed farm equipment sales seriously. They are running at half the 1980 level.

● Australia. Drought and poor export prices have delivered a severe blow to Australia's farmers. The Bureau of Agricultural Economics reckons that the real net value of farm output (the value of output less costs adjusted for inflation) in 1982-83 is likely to be around 50 per cent down on last year's A$4.12bn—the lowest level since it started collecting figures in the mid-1950s.

Crop production is expected to fall 28 per cent, with wheat down 45 per cent, from 16.3m tonnes to around 8.9m. Drought is now estimated to affect about 100,000 farmers, or 60 per cent of the total.

The financial impact has been compounded by e decline in export prices and high interest rates. The ratio of farm debt to net farm income — an indicator of debt servicing ability—is estimated in July to have been at its highest level in a decade. Sales of farm equipment and chemicals are flagging; rural unemployment is mounting.

The Government unveiled at the start of September a special aid package, including interest rate subsidies on farm debt and fodder subsidies for all farmers in drought-affected areas.

● New Zealand. The farmers, who boast of being the most efficient in the world, are facing severe problems, thanks to high internal inflation, big increases in international transport costs, agricultural protectionism in major markets, and falling

Sustained recovery unlikely until recession ends

prices and slacker demand for meat and wool.

Real farm incomes have fallen sharply. In 1973—a very good year for production and export prices—an average farmer's income was NZ$27,000. The year it will be NZ$23,000—and over half of that will come from Government price assistance for major export commodities. Adjusted for inflation (running at 17 per cent for the past two years), the farmer's real earnings have fallen steeply.

Dairy production in the season just ended was virtually the same as the previous year but well below 1979-80. Export earnings and dairy farmers' gross income were each up 20 per cent, but in real terms net income was virtually static.

Beef, sheep and wool farmers fared worse. Wool production was down about 4.5 per cent, to 360,000 tonnes and farmers' real earnings fell 14 per cent.

The Government's supplementary minimum price subsidy, introduced last year, has paid out over NZ$100m and has become an essential part of farmers' income, even though this was not originally intended.

New Zealand blames the EEC for many of its problems. Butter exports to EEC countries have been drastically reduced and the subsidised sale of surplus EEC dairy products has created problems for New Zealand in trying to find alternative markets.

● Argentina. The farm sector has been the country's main engine of growth in recent years—contributing 13 per cent of GDP and providing almost 80 per cent of exports—but it is now having to cope with domestic political and economic uncertainty on top of the falling international prices and soft markets faced by farmers in other countries.

Crop growers have fared better than cattle ranchers. Production of the principal crops—wheat, maize, sorghum, flax, soya—has risen steadily over the past decade (apart from the drought and flood year of 1980).

Argentina took great advantage of the U.S. grain embargo on the Soviet Union in the late 1970s and was the only main exporting country not to abide by it. The Soviet share of Argentine grain exports jumped from 10.6 per cent in 1979 to 76.9 per cent last year—and Argentina initially started off by charging well above market rates, though it has had to lower them since 1980.

Since the lifting of the embargo, Argentina has been fighting to maintain a slice of the Soviet market and to diversify its sales, since many traditional buyers were ignored or lost in 1980. It has been reasonably successful on both counts.

All Argentinian farmers have been hit by inflation, high interest rates and land taxes but cattle farmers have suffered more than most from these factors and falling international prices. Cattle production has fallen from 61.1m heads in 1977 to an estimated 46m this year.

The cattle sector has been particularly hard hit by EEC policies. Where the Community was once the main importer of Argentine meat products (led by Britain), it now takes less than 15 per cent of exports. And more recently the Falklands crisis has totally disrupted what was left of trade with Britain.

There are few immediate signs of farmers' financial positions improving. The recent falls in interest rates will have brought some relief, and attempts to limit output—such as the U.S. Government's offer of compensation for farmers taking acreage out of production—could help promote a supply/demand equilibrium.

But a sustained recovery in farming fortunes seems unlikely until the world emerges from recession and international demand recovers.

Men & Matters

IOM's banking policeman

Jim Noakes, the Isle of Man's new banking supremo, is anxious to scotch the idea that he is a Bank of England stooge who has been sent in to clean up the island's swashbuckling banking system following one or two embarrassing bank collapses lately.

Conscious of the Manxmen's sensitivity about outside interence in their affairs, the 45-year-old Noakes tells me that there is no question of him being seconded from the Bank of England. He has handed in his notice after 20 years with the Bank and is looking forward to an entirely new career policing one of the world's smallest offshore centres.

His credentials are impressive. After two and a half years as private secretary to the Governor of the Bank of England, covering the departure of Sir Leslie (now Lord) O'Brien and the arrival of Gordon Richardson, he cut his supervisory teeth in the secondary banking crisis of 1974-75.

Slater Walker and Edward Bates were two of his flock that he came to know especially well and his experience in this area will stand him in good stead in the Isle of Man where some local banks have been doing remarkably good imitations of Sleter Walker et al, recently.

For the last few years Noakes has been on secondment as an adviser to the Bahrain Monetary Agency. He followed Alan Moore when the latter left to join Lloyds Bank International, although he has not been so publicly visible as his predecessor who is credited with putting Bahrain on the offshore map.

Noakes' task in Bahrain was relatively easy since the vast majority of the banks there are respected household names end the responsibility for ensuring that they do not put a foot wrong rests largely with their domestic supervisors. In the Isle of Man he will take charge of a motley collection of financial institutions some of which would not be able to get a banking licence in more established centres.

Explorer

The Department of Industry has been quick off the mark with the despatch of the first technological explorer to the Orient.

Less than a week after Industry Secretary Patrick Jenkin enthusiastically launched his "visiting engineers scheme," Dr Alec Livingstone of British Telecom is going to spend six months with BT's Japanese counterpart, Nippon Telephone and Telegraph.

The scheme is for young engineers from British Industry to work alongside Japanese engineers and vice-versa. "There is considerable scope for the sharing of technology between the two countries," says Jenkin.

Livingstone, one of British Telecom's most gifted scientists, researches into alternatives to the silicon chip, based on "gallium arsenide high speed logic"—the electronic age's equivalent of the search for the source of the Nile.

African recall

Now that the diaries of the earlier Livingstone, Dr David, are back in safe-keeping, the Société Générale de Belgique—which includes companies like Union Minière, Belgolaise and Finoutremer with a long association with Central Africe—has disclosed that it has acquired the archives of Sir Henry Morton Stanley.

The papers, which include 55 notebooks covering Stanley's search for Livingstone from 1871-72, end other travels in the Middle East and Africa, were bought in London.

The Belgian company refuses to say how much it paid for the archives but says the help of the Belgian Ambassador Robert Vaes in obtaining them was invaluable.

No plans yet to exhibit them, it adds. But they will be made available to historians.

Passwords

"As a resultant implication a large portion of the interface co-ordination communication adds ovarriding performance constraints to the philosophy of commonality and standardisation."

Do you wish you could write sentences like that? Would your boss be impressed?

If so what you need is the new Honeywell Buzzphrase Buzzword Generator, e technical writing kit based on the SIMP (Simplified Integrated Modular Prose) writing system.

Honeywell has been generating buzzwords for some years. And the origins of the concept are lost in the mists of time, though when it was last aired in these columns e decade ago no less than four company public relations managers laid claim to its creation.

But dropping the odd, casually unintelligible phrase like "integrated reciprocal philosophy" into the conversation is not enough these days to give the impression you are keeping pace with technology.

Honeywell's system enables anybody who can count up to 10 to compose 40,000 well-balanced, incomprehensibla but intelligent-sounding sentences.

Select one phrase from each of four tables and you can command instant respect and confusion. Selecting phrases in e different order can sound even more impressive. But, Honeywell warns, you may have to insert your own commas.

Family farewell

Selim Zilkha, once the proud fether of the Mothercare stores chain, yesterday finally severed all ties with his offspring. Just over nine months after he sold out to Terence Conran's Habitat group, Zilkha has decided to resign as a non-executive director.

The move was not entirely unexpected since earlier this year Zilkha moved himself and his financial operations to the U.S. Terence Conran said yesterday that the decision was an "entirely amicable one."

Zilkha, according to Conran, has ettended all the board meetings since the takeover and made "some useful comments." Conran was grateful for the help that "made it easy for me to take over the reins of tha company."

Zilkha, however, decided that "he was not making any effective contribution" so decided to resign. To replace him Conran has invited Roger Seelig, a 37-year-old director of Morgan Grenfell who advised Habitat on the takeover, to join the board in a non-executive capacity.

Zilkha's attempt to start e fresh career in the U.S. has come slightly adrift. A $120m bid for Amalagamated Sugar, a U.S. commodity company, in September, has run into heavy weather from a complex counter-proposal involving Amalgamated and e third party.

Conran, meanwhile, is still musing over what to call the merged Habitat / Mothercare group. He is keeping his latest ideas to himself since his last brainchild — to call the new organisation the "Parent Company" — received such scorn in these columns.

Wind gauge

Inscribed abova a hot-air hand-dryer in e gents' toilet at the House of Commons: "Press button for a message from your MP."

Observer

Letters to the Editor

Uneasy managers, illusions of progress and courses of action

From Mr D. Last

Sir,—The Lombard by John Lloyd, "Why managers are uneasy" (November 18) displayed a deplorable attitude among the managers attending his industrial relations seminar. They were described as "hard-headed, sharply dressed and ambitious men" who were deeply uneasy about putting people on the dole and the "selfishness of companies."

These managers clearly are not hard-headed enough to know that hand-wringing is no answer to the deserts of Liverpool and other industrial towns. Did they come from corporate bureaucracies that they instinctively thought the Government and the trade unions should work with them to "do something"?

This is what these "sharply dressed" men can do. They can put their tear-stained handkerchiefs away and go to the Trade and Navigation accounts and leaf through all the imported semi-manufactured and consumer products to draw up a list of products that their companies can sell in competition.

They can then apply their ambitious minds to how they can produce those same imported products and drive them out of the British domestic market. Since British wages are anything from 50 per cent to 70 per cent of Continental and American wage rates it ought not to be an impossible task, and they will have actually done something concrete and positive to iron out the structural deficiencies in UK industry, instead of spending their time at a seminar.

Meanwhile when they pass the offices of the local trade union, local town hall, Inland Revenue or local outpost of Whitehall, they might ask themselves what exactly all those people in there are doing to produce goods and services that will take the unemployed off the streets.

Donald Last,
Transterra House,
Sevenoaks, Kent.

Lombard

Why managers are uneasy

By John Lloyd

IT'S COMMONPLACE that British management is enjoying a spell of dominating the industrial relations scene. It's not often remarked that they may feel guilty about it ... "more than just managers." They came back from work to families and friends who now, often, had direct experience of unemployment, usually through their teenage children. The

From Mr N. Davies

Sir,—Quite the best "Lombard" column for some time appeared on November 18.

Brilliantly written by John Lloyd, it nevertheless left a lot to the imagination as one pictured a group of middle-to-senior managers from household name British and multinational companies sitting in a seminar soul searching for the solution to unemployment.

One wonders if they ever gave time to consider the famous words of Gaius Petronius: "We trained hard — but every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that, we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation."

Although written at the latter end of the 1st Century, it is interesting to observe that the conclusion is somewhat akin to John Lloyd's . . . "What has it all been for?"

Noel Davies.
"Ascalon,"
48, Brookside Avenue,
Eccleston, St Helens,
Merseyside.

From Mr S. Mizel

Sir,—Reading the Lombard column (November 18) by John Lloyd on management guilt in present industrial circumstances, I wonder whether these managers had guilty feelings during those expansionary and falsely prosperous years preceding 1979.

Those were the years when too costly production and sustained overmanning, were absorbed into and concealed by swollen margins in a less competitive and expansionary economy, giving employees a false sense of job security.

Those were, also, the years when fear of the unions caused management to wear blinkers, which led to low standards in production. In many instances, such standards appear to have become the norm.

Guilty or not guilty?

S. John Mizel,
12 Chepstow Place, W2.

Battered by prices shooting high but some are really lower

From Mr J. Bayes.

Sir, — Your correspondent H. E. H. Holmes (*November 18*) refers to an increase in the price of batteries as a possible inflationary record. A colleague of mine, a keen target shooter, will soon renew his firearms licence at a cost of £20. In 1973 this would have been £2.50. In addition, under an Order laid before Parliament the Government, committed to fighting inflation, is attempting to raise the fee to £30, easily beating Mr Holmes' private sector record.

Incidentally, the increase is proposed under the Firearms Act 1968 which set the original fee at 12½p. I make this a total increase of 16,400 per cent in 14 years.

J. G. Bayes,
16 Kingscroft Road, Streetly,
Sutton Coldfield,
West Midlands.

From Mr F. Oliver.

Sir,—Mr H. E. H. Holmes (November 18), asks whether the increase of 496 per cent in the price of batteries from 25p in 1973 to £1.49p today is a record. Alas it is not. *Statistical News,* published by HMSO for the Government Statistical Service, aims "to help all those who use or would like to use official statistics," not merely those users who are well off. In 1973 it cost 30p an issue, it now costs £3.50, an increase of 1,067 per cent. Those encouraged by it to buy the *New Earnings Survey,* to help them, say in wage and salary negotiation or in the study of low pay, paid £3.25 for the 1973 report; the 1982 report in six pamphlets costs £42, an increase of 1,192 per cent. The 1973 *National Income and Expenditure* blue book, again from HMSO and the GSS, cost 85p; this essential record of the structure of the UK economy, its growth and more recent decline, costs £13.50 in 1982, an increase of 1,488 per cent.

The cost to the government of collecting statistics is met by us all through taxation. Such statistics are, however, increasingly available only to the rich. Are they becoming too embarrassing for wide circulation?

F. R. Oliver,
Department of Economics,
University of Exeter.

From Mr G. Atkinson

Sir, — By no means an inflationary record, Mr Holmes (November 18). In 1973, HMSO sold a "Building Research Digest" for 5p (subscription for 18 issues £1.20 post free); in 1982, for 55p (for 12 issues £8). Way back in 1948, when the series started, they sold for 2d (or 2s 6d a year).

George Atkinson
Romeland Cottage, 3 Romeland,
St Albans, Herts.

From Mr G. Bowthorpe

Sir,—I sympathise with the view expressed by Dr Leon Shirlaw (November 6) writing about the cost of soda water, and also with Mr Leon Drucker (November 13). I think their case is overshadowed by the expanding market for "natural spring water" available at supermarkets at 21p for 1½ litres. I pay £59 p.a. for "domestic water" which is so unpalatable that I am forced to buy several litres of drinkable water each week.

G. H. Bowthorpe.
92 The Welkin,
Hickmans Lane, Lindfield,
West Sussex.

From Mr J. Bryon.

Sir,—Now that Mr Holmes (November 18) has seen the light in respect of the inflation-boosted cost of his replacement batteries, it is interesting to reflect on what use the batteries have had during these past nine years.

What remarkable value he has received for his original 50p expenditure during nine years usage. He should therefore, lok on the bright side of things.

James P. Bryan.
19 Beacon Street,
Lichfield, Staffs.

From Mr I. Ball

Sir,—Mr Holmes (November 18) questions battery prices. Since VAT is beyond the control of manufacturers, the net prices he paid in 1973 and 1982 were 23p and £1.30 respectively. According to the fall in the value of money, 23p spent in 1973 is the same as £1.65 spent today.

Perhaps he should congratulate the manufacturer, doubtless private sector, on his excellent price control!

Ian R. Ball,
11 St Augustine's Road,
Penarth, South Glamorgan.

A question of balancing different policy objectives

From Mr H. Neuburger

Sir,—Samuel Brittan (Lombard, November 15) replied to my letter on the notion of monetary demand. I am glad that the area of agreement between us is wider than I had assumed, and withdraw any accusations of agreement between him and the Government. We can agree that it is inconsistent in claiming that the world recession caused our problems but its own fiscal deflation did not. I am still left with little idea of what he wants his money GDP measure for. He seems to accept the use of the same instruments of policy as I should want to use to attain the same ultimate objectives as I should want to attain.

He suggests that "post-war Keynesianism (claimed) that Governments can spend their way indefinitely into any desired level of output and employment irrespective of what is happening to pay and prices." I should not presume to tell Samuel Brittan about post-war Keynesianism, but my understanding was that the policy-makers of the 1960s were acutely concerned with the inflationary consequences of rapid economic growth. I understood the attack on post-war Keynesianism to be based on the idea that there would be only one level of employment, whatever the Government's macro-economic policy, not that increasing output led to higher inflation. The belief in a unique non-accelerating inflation rate of unemployment rather than a long run trade-off between unemployment and inflation divided Keynesians *from their* monetarist critics. If Samuel Brittan is moving back towards the Keynesian position, this removes a further area of disagreement.

Given a long run trade-off, then the design of a macro-economic strategy becomes a question of balancing different policy objectives. Here the money GDP criterion is at its least helpful. It obscures rather than illuminates the conflict of objectives. If, for example, there were a rise in raw material prices, the effect of *sticking to a money GDP target* would be to give overriding *priority* to the inflation objective of policy. A more pragmatic approach would allow money GDP to rise. It would recognise that the choices available between inflation and economic growth had shifted. To stick to a money GDP target is to take a restricted view of the balance between objectives.

Henry Neuburger.
21, *North Church Road, N1.*

Samuel Brittan writes: I am afraid that I do believe that there is a non-accelerating rate of unemployment (NAIRU). But unemployment can, for quite long periods, be above or below that rate. The issue is discussed in my IEA paper, *How to End the Monetarist Controversy.*

Advertising creates demand

From the Chairman,
Sinclair Research

Sir,—Although the criticisms of Sinclair Research made by the Advertising Standards Authority (Nov 17) are in many ways just, they should be set in the context of one of the most successful ever *mail-order* campaigns.

In the six months to mid-October, with advertising limited exclusively to the computing specialist Press, Sinclair generated over 50,000 orders for our new ZX Spectrum personal computer and over £7m in revenue — a level not before attained.

This level of demand was beyond our most optimistic projections, and we accept that as a result there were major delivery problems — now completely resolved — and very much regret the inconvenience to our customers.

The 109 complaints recorded by the ASA represent a tiny fraction of the order total. The great majority of our customers accepted our position and less than 1 per cent opted for their *money back* when we offered those waiting compensation or an immediate refund.

To minimise the problem we did, contrary to the ASA's comment, withdraw or cancel 80 per cent of our advertising for August and withheld a major national campaign until in October we were certain that the backlog was cleared. The remainder was placed with monthly magazines whose long lead times prevented withdrawal.

Spectrum production is now running at 40,000 units per month and we will shortly begin UK retail and export sales. It promises to be our most successful product to date.

Clive Sinclair.
6, King's Parade,
Cambridge

Rum victuallers to the Navy

From Mr B. Windsor

Sir,—I refer to the item which appeared in Men and Matters on November 10. But I must first declare an interest as a director of United Rum Merchants—a "big" rum company, but one still small enough to be beautiful and certainly not one that is given to hounding small competitors.

The concept of a high proof-strength rum with naval connections is an interesting marketing idea (and, because of its high proof, one that benefits the Chancellor of the Exchequer mightily). But I simply must set the record straight as far as the history of supplying—rather than acting as broker for—the Royal Navy is concerned. Lemon Hart (1768 to 1845) was known as "the first victualler of rum to the Royal Navy." Alfred Lamb produced a brand known as Lamb's Navy as early as 1847. Henry White (the owner of Black Heart and Red Heart) together with Thomas Lowndes had the lions' share of the Government contracts for rum in the 1860s (reference Wine Trade Review March 17 and May 20 1865 et seq). Continuity of supply by these importers was maintained up to and after 1947 when United Rum Merchants became the successor to all four partnerships. The blends they developed still flourish today and contribute handsomely—not least through their continued export success—to the wealth of the nation.

We totally agree with you that the Royal Navy is back in fashion. Indeed, it has never seemed to us that fashion passed the Navy by.

B. G. Windsor,
Perrott House,
Graffham,
Nr. Petworth,
Sussex.

Keep property in the portfolio

From Mr M. Howells

Sir,—Mr Plender's article (November 15) said property had responded to this year's capital market performance with *breathtaking* unconcern. Was this an anomaly or a measure of its stability?

He supported the anomaly and with the advent of index linked gilts concluded that property is no longer the only hedge. He *has said further* "the concept of an investment hedge, which is what institutional property is all about, is undergoing a transformation."

He forgets property is an investment in its own right which has become doubly attractive because of its inflationary strength.

Since we have a *constant* supply of land and a slowly increasing population property will remain a hedge: but the influence of occupational, as distinct from investment, demand confuses the issue so that *sometimes* values move ahead of the market (as recently) and sometimes behind. Whichever the direction the trend always is to get back into equilibrium: and the movement is slow — Mr Plender's unconcern — because *rent, subject* generally to five year reviews, is the factor which smooths out the growth in value. Our economy is ever changing but people must have somewhere to live, to work and to shop.

Index linking is hailed as the new hedge, but is it? In conditions of equilibrium the relative return is lower than that of property and in terms of size it is insignificant. Issues total less than £5bn and are available to the world. Institutional funds alone exceed £100bn.

In a recent presidential address to the Institute of Actuaries, the theme was that the current *generation* have awarded themselves generous pensions, half the cost of which is being unloaded on to the next generation and that burden may be more than the then workers of the day would be *willing to bear (incidentally* much of the cost of index linking is deferred). Investment it was said should aim to provide adequate security at all times for the rights of pensioners, early leavers, and active members; *wherever practicable the* assumptions should be related to real and not nominal rates of interest so that the rights can be substantially if not wholly protected against inflation. If the funding plan were to fall short of this aim and looked at vested rights solely in terms of current money, it would leave present and future pensioners at the mercy of subsequent generations who would have the power to determine in large measure the inflation rate at which those rights might be eroded.

To me this is indirect advice, regardless of short term performance opportunities, for pension funds to maintain at least 20 per cent of their portfolio in property.

M. K. Howells,
73 Brook Street, W1.

The new Lloyd's building

From the Head of Administration, Lloyd's

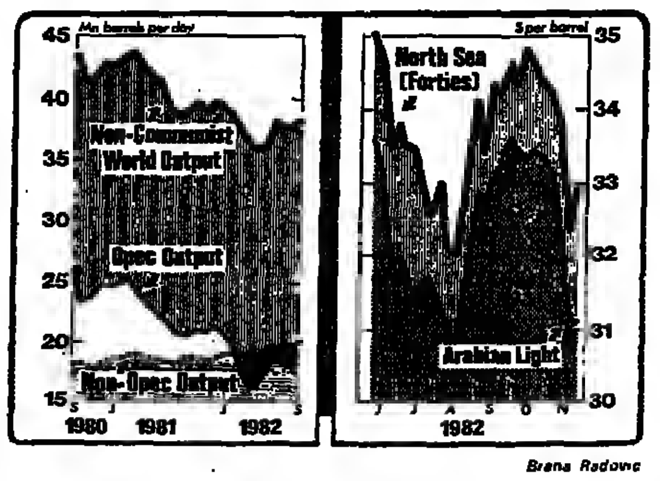
Sir,—With reference to your City correspondent's report (November 18) of the new Lloyd's building may I make it clear that the original forecast of the cost for the building itself was £75m, which is now estimated to be £90m, an increase of 20 per cent. The total cost of the project including demolition, fitting out and inflation is now estimated to be £157m.

C. T. G. Blackmore,
Lloyd's,
Lime Street, EC3.

World oil market

The pressure on prices

By Richard Johns



IN RETROSPECT the disappointing investor response to the flotation of Britoil may seem a minor casualty of unprecedented uncertainty in the oil market. At stake—and of far more consequence, surely, to the UK Treasury and the fortunes of Mrs Margaret Thatcher's Government—is the price of oil. Against all logic of the laws of supply and demand the $34 per barrel benchmark set by the Organisation of Petroleum Exporting Countries has held for a year, though with considerable fraying at the edges.

But as Opec prepares for a ministerial conference in Vienna next month the question is whether the organisation can maintain the $34 benchmark.

Sheikh Ahmed Zaki Yamani, the Saudi Arabian oil minister, reaffirmed at the weekend that his country was determined to defend the oil price.

But Indonesia, an Opec member, trimmed its prices last week and some Gulf producers have hinted at the possibility of a price-cutting war if other members do not curb their output or stop offering discounts.

Over the past few months there has been no shortage of pundits predicting a collapse of prices. Sheikh Yamani himself warned, with some cautionary exaggeration, two months ago that abandonment of the $34 reference could lead to prices crashing to $10—below the level before the near three-fold 1979-80 escalation and a rate which would put production of the lowest cost North Sea oil at a substantial loss.

The market is so soft because supply is outrunning demand. On the supply side:

Opec members agreed last March to limit collective production to 17.5m barrels a day and set individual ceilings for each member. But certain countries—Iran, Libya and Venezuela—are substantially exceeding their quotas.

The result is that Opec production is running now in excess of 19m b/d—at a time when output from non-Opec producers is also on the increase.

In the first nine months of this year non-Opec producers—such as Britain and Mexico—overtook Opec volume for the first time since the early 1960s.

Opec's output has also been on the increase and production for the final quarter is now expected to be over 20m b/d. Nevertheless, this would be well short of the level of nearly 21.5m b/d foreseen in August by Opec's economic experts in all their scenarios. Production of 20m b/d is too high to strengthen the market but too low to satisfy individual revenue requirements.

Ever since the Opec production programme, which was adopted in March, began to fall apart in the early summer; members hoped a recovery in demand would make it possible to accommodate their revenue requirements but this has not happened.

On the demand side, the International Energy Agency has revised downward its estimate for the fourth quarter of demand for Opec oil, which it put at 21m b/d. This is because economic activity has been at a lower ebb than expected, particularly in the U.S.

Oil consumption has been slightly lower than foreseen while oil companies' drawdown of stocks—a vital element in the equation—has been higher than expected.

For the last quarter the reduction of inventories will be in the region of 800,000 b/d, in line with the usual seasonal pattern, but far below the 5m b/d in the first quarter and 1.7m b/d in the second.

An end to the exceptional disgorging of stocks over the past two years—one of the major reasons for oil glut—is now finally said to be in sight.

Both the depth of inventories accumulated in the past and the willingness of consumers to liquidate them have been big factors bedevilling Opec's calculations, and this led to allegations in the spring of deliberate stocks manipulation by industrialised countries aimed at undermining the price structure.

At the end of September the IEA calculated stocks in member countries at 419m tonnes, compared with 455m tonnes a year earlier, or 97 days' consumption as against 101.

A further decline of about 10m tonnes in the last quarter would give about 95 days' supply, still regarded as a secure cushion. There has been evidence of a continuing downward reassessment by companies of inventory requirements. At the same time the weather has been warmer than expected in the northern hemisphere and apprehensions of a cold winter seem to have evaporated.

Both elements are considered by traders as being important factors in the slump over the past two weeks on the spot market. The low prices have reflected lack of activity in a market where most potential purchasers are happy to bide their time.

A surge in Iranian output, in particular, appears to have left dealers with large volumes of crude on their hands. Demand for the lightest Nigerian varieties has suddenly dried up.

In the short-term a revival of the spot market is unlikely unless there were a successful major Iraqi attack on the Iranian terminal at Kharg Island. This would be not so much because a cut-off of Iran's 2.2m b/d exports, as from fears of Tehran fulfilling its threat to close the Straits of Hormuz, which carries much of the West's oil imports.

Any relief for Opec and the oil market from increased winter demand looks as if it will be short-lived. The date of any clear economic recovery in the U.S. has now been pushed further towards the end of 1983. The Organisation for Economic Co-operation and Development is predicting no growth in West Europe and a continuation of the slow down in Japan. Even a slight revival in world economic activity would still leave consumption at about its present level. Predictions of future growth are made more difficult by the lack of any definitive information on the extent to which oil consumers have turned to other fuels or increased conservation efforts.

Industry forecasters see no increase in output of Opec crude in the first quarter of 1983 with seasonal factors offset by high production by non-Opec countries and a further run-down of inventories of about 1.5m b/d.

Restocking at the same rate is envisaged for the second quarter but present thinking is that it will not be sufficient to lift Opec's production to much more than 19.5m b/d.

The odds are that the organisation will face an even bigger crisis then unless it observes a disciplined production programme of a kind that Iran and Libya, the two main offenders, will almost certainly not contemplate.

Any chance of a programme being imposed must depend on a plausible threat by Saudi Arabia and its allies in the Gulf to cut their prices—with possible catastrophic consequences for all producers.

If the Saudis were to bring down their reference to $32 or even lower to $28 in a bid to restore what they insist is the correct differential of up to $3.80 between the market crude and premium African oils the danger is that they would trigger off a war of attrition.

The general consensus is that if the moderate camp sticks to its present official selling prices—an act of self-sacrifice involving a further diminution of market share and a hurtful squeeze on revenues—there may be further erosion of other members' prices but the creaking structure could just be maintained intact until the spring.

Until then and thereafter Saudi Arabia, which in the last analysis is the world price setter, will carry a heavy burden.

FINANCIAL TIMES

Tuesday November 23 1982

CARRIER OWNERS SAY KHARG TERMINAL UNAFFECTED

Iraqi raids damage three ships

BY PATRICK COCKBURN IN LONDON

AN IRANIAN oil product carrier was on fire in the northern Gulf yesterday and two other vessels were damaged after a weekend of Iraqi attacks on Iranian shipping.

Oil companies deny, however, Iraqi claims that air and sea attacks have sunk five oil tankers at the main Iranian oil-loading terminal at Kharg Island. Owners of very large crude carriers (VLCCs) at Kharg say the terminal is operating normally.

The Iranian oil product carrier on fire is the 69,360 dwt Shirvan belonging to National Iranian Tanker. It was hit on its way from the island terminal of Sirri to Iran's main oil-product import point of Bandar Mashur.

Two other vessels, the Indian bulk carrier Archana of 18,000 dwt, and the Iranian-owned Raffaello, have also been damaged. The Archana is reported to have had a number of crewmen seriously injured by air attack. The Raffaello is used by the Iranians as an accommodation vessel for naval officers.

The claims by Iraq to have sunk five tankers on Saturday created some confusion among shippers yesterday, although Baghdad has often made exaggerated statements about losses of Iranian ships. Iraq declared an exclusion zone at the northern end of the Gulf in August after sinking two ships sailing to Bandar Khomeini.

Attacks on Kharg island in August led to a rapid increase in insurance rates and frightened off many tanker owners. But despite some damage to jetties at the terminal, Iran has been able to raise its oil exports to 2.3m barrels a day. It says that if it is forced to stop its oil exports, it will prevent any other country shipping oil through the Straits of Hormuz.

Since the start of the war Iran has heavily reinforced its air defences at Kharg, but diplomats find it difficult to understand why the Iraqi air force has proved unable to make more effective attacks. No sea mines have been dropped at Kharg.

The renewed Iraqi air raids had little impact on the insurance market yesterday as brokers waited to find out the extent of the damage. But some upward movement of rates was expected today.

The heavy damage to the Shirvan is unlikely to have much impact on the market as it is Iranian-owned and is believed to have come under attack 160 miles to the north of Kharg.

Pressure on world oil prices, Page 15

Flick faces tax probe

By Jonathan Carr in Bonn

THE WEST GERMAN Government is investigating whether the Flick industrial group was really entitled to heavy tax relief it received when taking a stake in the U.S. chemicals concern, W. R. Grace.

The Bonn Economics Ministry said yesterday that enquiries had already been made to Flick about the Grace transaction, and that an answer was expected next month.

It is understood that if the result of the investigations goes against Flick, the group could have to pay several hundred million D-Marks in back tax.

The news coincides with an announcement by Flick, one of West Germany's biggest family businesses with annual sales of nearly DM 9bn ($3.5bn), that there is to be a shake-up in the top management.

The group said this move had no connection, however, with investigations of its tax affairs, and did not reveal who might be leaving.

Flick's involvement in Grace, in which it now has a stake of more than 25 per cent, goes back to its sale of a 29 per cent share of Daimler Benz in 1975 for nearly DM 2bn.

Flick was able to invest much of the Daimler-Benz proceeds in companies (some of them within its own groups) considered "particularly beneficial to the economy," and thus qualifying for tax relief.

Nearly DM 800m was put into Grace and – after lengthy examination – the Government gave relief to this investment, too.

However, information has recently come to light indicating that the relief in Grace's case might not after all been justified.

Decline at Metal Box threatens more jobs

By Charles Batchelor in London

METAL BOX, Europe's largest packaging group, expects to make further cuts after yesterday's announcement of a decline in profits in the first half of its 1982-83 financial year.

The UK-based group has already shed 9,500 jobs over the past two years, mainly in the division making two-piece cans and in its Stelrad central heating operations. The UK workforce is now 24,000.

"Some further retrenchment is likely to be announced shortly although on a lower scale than the action taken in the past two years," said Mr Dennis Allport, chairman and chief executive.

Trading profit fell 5 per cent to £32.7m ($52.4m) in the six months to September 30 on group sales which were 10 per cent higher at £627.3m.

After paying £18.7m in interest charges – £2m more than last time – Metal Box reported a 21 per cent fall in pre-tax profit to £14m.

Despite a drop in earnings per £1 ordinary stock unit to 2p from 4.8p, the directors noted that efforts to improve efficiency had begun to take effect and declared an unchanged interim dividend of 5.04p. The shares fell 4p on the news to 164p.

Demand for packaging in the UK fell about 6 per cent in volume terms in the first half compared with the same period last year, and the company's earnings remained under pressure, largely due to excess capacity for some products in Europe.

Profitability improved in the second quarter when a number of factory closures were completed and the Stelrad modernisation programme was concluded. These measures cost the company £4m in the first quarter and meant that the result for that period was little better than break-even.

Details, Page 20; See Lex

Paris decides on sharp cuts in unemployment benefits

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government decided yesterday on a sharp pruning of unemployment benefits that will cut some 13 per cent off the FFr 94bn ($13.06bn) due to have been paid out next year.

The cuts are larger than the trades unions had been prepared to accept but less than employers had wanted. They reflect the Government's anxiety to get a tighter grip on social security spending at a time of high unemployment and low growth.

The measures reduce benefits for those who have been working for only a short time before becoming unemployed and they provide less generous allowances for those retiring early. They also remove some of the anomalies of the French unemployment system that have often meant more generous payments than in Britain or West Germany. These had largely been agreed with the trades unions.

Workers, for instance, will now receive only 80 per cent of their previous salary on losing their jobs, instead of the existing 90 per cent. They will also no longer be able to claim both unemployment benefits and paid holidays.

Unions had finally agreed to FFr 10bn of cuts at meetings on Friday. Employers wanted FFr 17bn of savings in an effort to stave off a further rise in contributions which would have put an additional burden on industry's costs.

The employers' organisation, the Patronat, claimed yesterday that industry was now faced with an additional FFr 100bn in charges a year as a result of measures taken by the Socialist Administration.

The Government's intervention follows the effective collapse of France's almost unique unemployment benefit fund, Unedic, managed jointly by unions and employers.

Employers pulled out last week in anger at the Government's failure to compensate industry for increased contributions it had earlier imposed, in an effort to balance the accounts of the deficit-ridden fund. The new contributions added FFr 7bn to industry's costs which it had hoped to recover immediately.

The fund remains formally in existence, however, until January 31 when it will have to be replaced by a completely new unemployment benefit organisation. Continued squabbling between unions and employers over who should bear the cost of unemployment benefits suggests that the Government will have to take a stronger hand in the new organisation.

Firm Andropov stance on U.S.

Continued from Page 1

tention to the many missed targets in the first two years of the current five-year plan, and underlined the need to raise labour productivity, increase discipline and improve managerial methods.

"Conditions, both economic and organisational, should be provided to encourage quality and productive work, initiative and enterprise... conversely shoddy work, laziness and irresponsibility should have an immediate and unavoidable effect on the earnings, official status and moral prestige of workers."

Mr Andropov also called for greater efforts to improve the food situation and implement the "food programme" launched by Mr Brezhnev last May.

His speech contained the somewhat contradictory promises of both more guns and more butter. "It is planned to ensure priority growth of the Group B" (consumer and light industries) sector and increase the manufacture of consumer goods," he said. But in the next passage he added: "Defence requirements as usual have been sufficiently taken into account... to provide the army and navy with everything necessary."

After Mr Andropov's speech, the central committee announced a series of measures to honour the memory of Mr Brezhnev, of which the most significant was the decision to rename Naberezhnye Chelny, the industrial city on the Kama River which builds the Kamaz truck, Brezhnev City – after the man whose regime was responsible for building the world's largest truck plant.

The first personnel changes of the Andropov era were also announced yesterday, with the promotion of 59-year old Azerbaizhan party boss Geidar Aliyev from candidate to full politburo status and the promotion of two leading figures in the Soviet planning and banking systems.

Mr Andrei Kirilenko, a politburo member since 1962, was formally dropped from the politburo "at his own request," and because of ill-health. Mr Andropov thanked him for his long years of hard work.

In all, only four other changes were announced. But the most significant were the promotion of 53-year-old Nikolai Ryzhkov, first deputy head of Gosplan since 1979, to a coveted secretaryship of the central committee, and that of 63-year-old Vladimir Alkhimov, Chairman of Gosbank, the state bank, who was promoted from candidate to full central committee status.

Mr Alkhimov is recognised by Western bankers to be one of very few Soviet officials who understands the working of Western capital markets.

Mr Andropov also showed an eye for public relations by promoting a woman, 53-year old collective farm team leader Nina Pereverzeva, to full central committee status, and also the 51-year old first secretary of the Crimean party organisation, Mr Viktor Makarenko.

'Priority' for EEC at Poitiers

By Hilary Barnes in Copenhagen

EUROPEAN exporters of video equipment to France are receiving preferential treatment by the French customs office at Poitiers which is handling all imports of such equipment according to Bang and Olufsen (B and O), the Danish manufacturers of video recorders.

The firm attributes the treatment it is receiving to the efforts of EEC officials in Brussels and Danish diplomatic staff, who have apparently persuaded the French to allow European video recorders through the new customs procedure in time for Christmas.

B and O is mildly embarrassed to have to admit that it is quite satisfied with the way things are going in Poitiers.

"We would really prefer to keep a low profile on this," said Mr Povl Skifter, the firm's economy director.

But B and O expects to be able to sell all the 2,000 recorders it had planned to sell in France in the Christmas period, although it was only after 14 days of pressure on the French that things began to go right in Poitiers.

B and O's managers say they cannot speak for others, but it is their impression that the other major European exporters of video equipment to France, Grundig and Philips, are also receiving preferential treatment.

It is in practice only, or at least primarily, the Japanese who are facing problems.

Independent 'cabinet' steers U.S. economy

Continued from Page 1

sists of the seven governors of the system in Washington and the president of the Federal Reserve Bank of New York, Mr Anthony Solomon, who is responsible for carrying out the open market operations directed by the FOMC. There are also the four presidents of the other reserve banks who serve one-year terms on a rotating basis.

Each of the governors is appointed for a 14-year term by whoever happens to be the President of the U.S. when a seat falls vacant. The regional bank presidents are appointed by regional boards of directors who themselves are elected under complicated formulae, mainly local private bankers. So the members of the FOMC are, in principle, about as immune from short-term political pressures as can be imagined.

The whole of the Federal Reserve System, including the FOMC is constitutionally a creation of Congress and, therefore, in theory, "the creature of Congress," subject to any directions the Congress should wish to issue. But the independence of the FOMC members as individuals often creates an atmosphere at the FOMC meetings which is extremely controversial, at least by the standards of central banks' internal debates in other countries.

Of the seven federal governors in Washington, two in particular have often taken lines strongly at odds with their colleagues. Mr Henry Wallich, the governor with primary responsibility for international operations, has consistently voted against actions which could be interpreted as monetary relaxations – that is, up to the key October 6 meeting, when he came round to the view that the monetary targets were temporarily untenable. On the other side is Mrs Nancy Teeters, a former chief economist for the Democratic Party in Congress, who has long been voting against an over-restrictive application of monetarist theories, often as a voice crying in the wilderness.

Like Mr Volcker and Mr Preston Martin, the Fed's vice-chairman, appointed this year by President Reagan, the other three governors are all professional bankers or long-standing officials at the Fed itself. These three governors – Mr Charles Partee, Mr Emmett Rice and Mr Lyle Bramley – are all serving terms extending well into the 1980s and 1990s. They constitute, along with the New York Fed's Mr Anthony Solomon, the natural majority at FOMC meetings.

The other four members of the FOMC, drawn from the regional banks, are much more likely to be mavericks, however. Of the four members representing in the Federal Reserve Banks of San Francisco, Richmond, Atlanta and Cleveland, the last three all voted against the decision to suspend the narrow monetary target in October.

One of the other regional banks – the St Louis Fed – is strongly identified with a very pure interpretation of monetarism. Several of the other Mid-Western Reserve Banks also tend to support more conservative positions than the San Francisco, Boston, New York and Philadelphia Feds.

So it is even conceivable that the momentous decision to suspend the monetary target might not have been taken but for an administrative accident.

If Mr Gerald Corrigan of the Minneapolis Fed or Mr Roger Guffey of Kansas City, who serve in rotation with Mr John Balles from San Francisco, had been voting at the FOMC meeting, and if Mr Henry [illegible] restrictive views, the FOMC vote would have been seven to five.

A majority as narrow as that could have proved too embarrassing, even in the relatively controversial world of U.S. central banking, for one of the most important policy changes undertaken by the Fed for three years – and the course of economic history might just have turned out differently.

Minet affair further blow for Lloyd's

Continued from Page 1

many companies operating within it, how do you find out what is going on?"

Mr Michael Meacher, a Labour MP who chaired a parliamentary committee that studied Lloyd's self-regulatory powers, said yesterday that the latest situation "will certainly increase demands for some measure of statutory regulation over Lloyd's affairs. The series of disclosures and scandals at Lloyd's have tolled the knell for self-regulation within that market. One is bound to ask how many more problems will emerge."

Mr Raymond Pettitt, who succeeds Mr Wallrock as chairman, said yesterday: "We are absolutely stunned."

Mr Wallrock is understood to have since 1974 an interest amounting to around 5 per cent in reinsurance arrangements effected by Lloyd's syndicates under the management of Minet's PCW company.

World Weather

		C	F			C	F			C	F			C	F
Ajaccio	S	17	63	Dubrovnik	S	17	63	Malaga	F	17	63	Salzburg	S	10	50
Algarve	F	21	70	Faro	F	17	63	Malta	F	21	70	Seoul	R	9	48
Algiers	S	17	63	Florence	F	13	55	Manila	F	30	86	Singapore	S	33	91
Amsterdam	C	8	46	Frankfurt	D	9	48	Miami	S	19	66	Stockholm	C	6	43
Athens	F	16	61	Funchal	C	21	70	Milan	S	7	45	Strasbourg	F	13	55
Bahrain	S	25	77	Geneva	S	13	55	Moscow	C	2	36	Sydney	S	24	75
Bangkok	S	34	93	Gibraltar	C	17	63	Munich	S	13	55	Taipei	S	27	81
Barcelona	F	15	59	Guernsey	C	10	50	Nairobi	S	24	75	Tangier	F	19	66
Beirut	S	19	66	Helsinki	R	5	41	Naples	C	16	61	Tehran	—	—	—
Belgrade	S	13	55	H. Kong	S	25	77	New Delhi	S	26	79	Tel Aviv	S	20	68
Berlin	C	11	52	Innsbruck	S	8	46	New York	Fg	12	54	Tenerife	F	24	75
Biarritz	S	16	61	Inverness	C	5	41	Nice	F	16	61	Tokyo	S	18	64
Blackpool	C	9	48	Istanbul	F	13	55	Oporto	S	16	61	Toronto	S	2	36
Bordeaux	C	13	55	Jersey	F	10	50	Oslo	C	6	43	Tunis	S	18	64
Brussels	C	7	45	Jo'burg	S	28	82	Paris	C	8	46	Valencia	S	15	59
Budapest	S	5	41	Las Palmas	F	25	77	Prague	S	8	46	Venice	S	9	48
B. Aires	S	24	75	Lima	S	23	73	Reykjavik	F	6	43	Vienna	C	2	36
Cairo	C	25	77	Lisbon	C	10	50	Rio de J'o	C	34	93	Warsaw	S	8	46
Cape Town	S	20	68	Locarno	C	7	45	Rome	F	18	64	Zurich	S	5	41
Caracas	C	29	84	London	S	11	52								
Casablanca	S	22	72	Los Angeles	S	11	52								
Copenhagen	C	7	45	Luxembourg	R	7	45								
Corfu	S	19	66	Madrid	F	8	46								
Dublin	R	9	48	Majorca	S	18	64								

Readings at mid day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

EEC to meet on MFA

BY GILES MERRITT IN BRUSSELS

FRESH talks between the European Commission and the leading low-cost textile producers on a set of restrictive 1982–1986 bilateral trade deals are due to resume later this week in Brussels.

The negotiations aimed at breaking the deadlocks that threaten the EEC's continued participation in the General Agreement on Tariffs and Trade (GATT) backed multi-fibre arrangement (MFA) were yesterday relaunched by the EEC Council of Ministers.

Although EEC Trade Ministers did not opt to change the MFA negotiating mandate given to the European Commission earlier this year they did decide in the light of new proposals made by the Hong Kong Government to allow Brussels greater flexibility within the agreed global ceilings for textile imports.

The nature of the Hong Kong plan, which has been backed by Britain has not yet been disclosed.

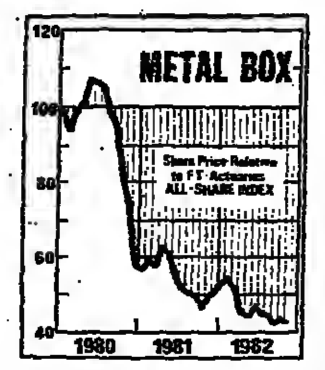
The European Commission has been instructed to prepare a special discussion paper concerning Spain's trade with the EEC.

The analysis by Brussels exports was requested at yesterday's EEC Foreign Affairs Council by Mr Peter Rees, the UK trade Minister.

THE LEX COLUMN

Volvo fills up with cash

The £259m visible trade surplus recorded in October confirms the impression left by last week's news of a steep run-down in manufacturing stocks during the third quarter. The buoyant retail demand is apparently being met more through stock liquidation than through rising import volumes. But, if this is good news, the foreign exchange market has other matters on its mind sterling's trade-weighted index finished 1.7 points down yesterday at 86.7.



Volvo

Volvo, alias Volvo-Beijer, has boosted sales by 41 per cent to SKr 17.39bn (£1.6bn) in the third quarter to September and pre-tax profits are up by 43 per cent to SKr 408m (£132m). But in the wake of its strategic decision to join forces with Beijerinvest last year, cars and commercial vehicles accounted for under 40 per cent of the new conglomerate's sales. Revenues in the energy sector, at SKr 8.57bn (£805m) almost doubled on the back of expanded oil broking operations.

Volvo has been piling up cash in the wake of its changed strategy and in the quarter to September lifted its liquid assets by SKr 1.1bn to SKr 7.3bn (£689m), including SKr 807m from its August rights issue. It expects to end the year at about this level after accounting for a capital budget for 1982 of SKr 2.6bn and its SKr 680m purchase of 25 per cent of Atlas Copco in October. It also yesterday announced plans to demerge the investment arm of Beijerinvest next February on terms which should raise another SKr 1.1bn.

Oil and gas exploration costs will soak up some of this cash, as too will Volvo's White Motor subsidiary in the U.S. which is not expected to break even now until 1984 at the earliest. But Volvo has little interest in using any of the cash to reduce its sizeable debt position and further acquisitions on the lines of Atlas Copco can be expected.

Britoil

The major UK institutions may have been unenthusiastic about the Britoil offer, but the FTs-Actuaries All-Share index cannot ignore such a major new issue if it is to be fully representative of the UK equity market. Britoil's 500m shares go into the index today at the 215p tender price, making an initial market capitalisation of £1.75bn – just under 1 per cent of the total All-Share capitalisation of around £115bn.

This has at least two implications for fund managers. For years, they have complained about the heavy weight of the oil sector in the index, arising from the presence of BP and Shell Transport. It was difficult to outperform the All-Share when oils were strong, although strangely enough the complaints have faded with the more recent weakness of oils, which has the reverse effect. The oil sector will now account for 12 per cent of the All-share.

Second Britoil will rank among the top 25 companies by market capitalisation, and those fund managers that track the All-Share will have to include Britoil in their core holdings. The underwriters, of course, already have good reasons for holding the stock and will be waiting anxiously for dealings to begin today.

Metal Box

After the relentless cutting and pruning at Metal Box over the last two years, the news that there is yet more to come must make depressing reading for shareholders. The next round of retrenchment will not throw up anything like the £50m of extraordinary charges which the balance sheet has had to absorb since 1980, but it provides yet further evidence of the group's slowness to adapt to the depth of the recession. Having reorganised the high volume can-making lines and the Stelrad central heating division, it has now slipped into losses in the paper and plastics and engineering activities, with the result that pre-tax profits have emerged 21 per cent down at £14m for the six months to September.

Once again, the figures have been partly rescued by a healthy contribution from overseas interests, which virtually maintained trading profits at £26.9m. But one of the main worries for Metal Box must be whether the companies in South Africa and Nigeria, whose economies have troubles of their own, can maintain this performance for long enough to see the UK side through the recession. Fixed costs have tumbled, but packaging volume is still sliding, and an improvement in margins is critically dependent on an upswing in the economy. Meanwhile, net debt is hovering at around 60 per cent of shareholders' funds, and with income gearing not far behind there must be fears for the dividend – clearly reflected in the prospective 10.4 per cent yield on last night's price of 164p.

Minet Holdings

In his most recent annual statement, published with the report and accounts in the spring, the chairman of Minet Holdings vigorously opposed the mandatory provisions of the Lloyd's Bill and defended his own company's involvement in both broking and agency activities. "In my 30 years' experience, I have never sensed any harmful conflict of interest", he concluded.

That view suffered another setback yesterday as his own resignation intensified the pressure on Lloyd's to put its house in order. Minet's position is particularly sensitive as it is both a public company and an associate of two prominent U.S. brokers. St Paul Companies topped up its stake to 20 per cent in July, paying 160p per share, and yesterday saw the price drop another 7p to 104p.

Lloyd's has so far moved with an alacrity befitting a 300-year-old institution, so outside shareholders in Minet must hope that the U.S. companies, together with the Department of Trade inspectors now thronging Lime Street, can create enough fuss to ensure proper disclosure of directors' interests – and not just at Minet.

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday November 23 1982

Volvo doubles earnings and lifts sales 37%

BY WILLIAM DULLFORCE IN STOCKHOLM

VOLVO, the Swedish automobile, engineering and trading group, almost doubled its earnings, from SKr 990m to SKr 1.93bn ($257m) in the first nine months of this year. Sales climbed by 37 per cent to SKr 51.5bn. So far this year Volvo has achieved its best ever car sales in a market which it estimates has shrunk overall by 5 per cent.

Third-quarter earnings amounted to SKr 408m compared with SKr 286m in the corresponding period last year. The third quarter, which includes the summer holiday, normally returns a relatively lower profit.

Mr Pehr Gyllenhammar, managing director, forecasts a significantly larger operating profit in the last quarter and expects some extraordinary income. On the other hand group earnings will feel the impact of the exchange losses on foreign borrowing resulting from the 18 per cent devaluation of the Krona in October.

Volvo includes exchange losses in their entirety in the period during which they occur, regardless of the terms of the loans. The nine-month pre-tax figure includes exchaoge losses of SKr 157m, or SKr 8m less than in January-September, 1981.

Earnings of SKr 1.93bn up to September this year compare with the SKr 1.42bn reported for the whole of last year. In the 12 months to the end of September Volvo earned SKr 2.38bn on sales of SKr 68.35bn, achieving a return on total capital of 17.2 per cent and a pre-tax return on risk-bearing capital of 21.1 per cent.

Income per share, calculated on the outstaoding stock following this year's new issue, was SKr 31.30 for the 12-month period compared with SKr 24 for 1981 as a whole. Income per share for the first three quarters of this year amounted to SKr 26.

The cars continued to be the principal factor in Volvo's profit advance. Sales climbed by 30 per cent to SKr 12.5bn with 235,000 cars being delivered during the period, including more than 3,000 of the new 760 model. Deliveries of the 240 series grew by 10,000 to 165,000 while the smaller models built in the Netherlands also increased by the same amount to 67,000.

Deliveries of trucks were higher despite the weakness of the world market, sales rising by 26 per cent to SKr 9.8bn. A lower profit was noted in the third quarter but over the first nine months the beavy vehicle operatioo is stated to have sbown some profit growth.

The largest sales advance, 68 per cent to SKr 22.5bn, was acbieved by the energy companies. These include Scandinavian Trading Company's oil trading and its exploration for oil and gas in the U.S., which is absorbing conaiderable investment.

Group capital spending during the nine months amounted to just over SKr 2bn, of which SKr 487m went to oil and gas and SKr 425m to oil rigs. The transport equipment operations received SKr 731m.

Volvo's tiquid assets at the end of September totalled SKr 7.35bn, entailing an increase of SKr 1.85bn from the beginning of the year.

The market value of the shares portfolio was just over SKr 1bo, down by just over SKr 100m over the nine months. Next year Volvo will offer its shareholders shares in a new investment company.

Lex, Paga 16

Dow Chemical quits INA deal

By John Wicks in Zurich

DOW CHEMICAL is pulling out of a joint-venture agreement with INA, the Yugoslav state corporation, to build a petrochemical complex on the Yugoslav island of Krk.

The project, in which Dow had a 49 per cent stake, began in 1976, and involves the construction of a $1.2bn complex to produce polyethylene, vinyl chloride monomer, styrene monomer and aromatics.

The first phase of the three-phase building schedule, including low-density polyethylene and vinyl chloride monomer plants and infrastructure, is nearing completion.

Dow has informed INA that it intends to terminate the agreement on January 15, 1983, but has stated its "willingness to co-operate in future on a new basis."

This is understood to indicate that Dow would continue to provide technological and other support for the Krk facility.

Dow said the project had been "complicated by inordinate delays and the mounting costs of construction."

The project has also run into difficulties because of the economic situation in Yugoslavia and the lack of available foreign currency.

Last December it was announced that a new construction schedule had had to be drawn up for the plant. It was then decided to direct all available resources into completing the first phase of the project by the end of this year. Subsequent capacities – including the ethylene cracker and the aromatics and styrene plants – were to be held over.

INA, which today holds 51 per cent of the joint venture and will become its sole owner in January, stresses that it is "absolutely essential" to realise the revised programme for phase one. A decision on the second and third phases will be made later "depending on INA's possibilities," says the Yugoslav group.

Transamerica takes a new route

With the successful takeover of Fred S. James, the U.S. insurance broker, Transamerica Corporation is clearly moving into a new direction, writes RICHARD LAMBERT in San Francisco. The insurance-based conglomerate hopes that the enlarged group will be a forerunner of the insurance company of the future. Mr Harvey, chief executive, is convinced that the acquisition will fill out the product range Transamerica needs to offer.

WHILE FINANCIAL service giants across America are hurling themselves at the retail market, Transamerica Corporation – a large insurance-based conglomerate – is deliberately shifting in a different direction.

The $310m agreed bid which it announced earlier this month for Fred S. James, one of the top six U.S. insurance brokers, represents a move towards the commercial as opposed to the personal end of the financial market.

Transamerica says grandly that the enlarged group will be a "forerunner of the insurance company of the future." Perhaps - but the real explanation for the bid may lie more in Transamerica's own search for an identity.

Founded in 1928 by the great A. P. Giannini as the holding company for a financial empire which included the Bank of America, Transamerica has long been hidden in the shadow of its better-known subsidiaries.

After it had been forced by Federal legislation to move out of the banking business in the 1950s, it was run for 20 years by Mr Jack Beckett, a forceful creator of conglomerates, who built up a new empire, but never struck many sparks on Wall Street.

The shares have generally been poorly rated, and although it has over $1.5bn of net worth and one of the best known head offices in the world – that spindly pyramid in San Francisco – Transamerica is not what could be called a household name.

The very roison d'etre of a group which included a big movie company, Budget Rent-A-Car, a precision engineering business and an airline, as well as large insurance interests, was far from clear.

Early last year, Mr Beckett was succeeded as chief executive by Mr James Harvey, who says his goal is to "rationalise and focus" the business built up by his predecessor. His first big step came just a few months after taking the job, when Transamerica sold its volatile film business, United Artists, to Metro-Goldwyn-Mayer for $380m.

The sale cut the group's floating rate debt by $485m, and sliced its overall borrowings down to 28 per cent of capital employed, excluding the financing subsidiaries. The group estimated that its existing businesses would be likely to generate between $500m and $1bn in surplus cash over the following five years.

Transamerica then had the fire power to expand its financial services sector. It already owns the ninth largest life insurance company in the U.S. and gets a third of its operating profits from this source.

It also has a smaller property and casualty insurance business, which has been hit by the industry-wide downturn in underwriting and contributed less than a tenth of last year's profit. The group also has a loss-making title insurance operation.

Mr Harvey toyed with the idea of a push into retail financial services, and acquired a 4.5 per cent toehold in E. F. Hutton, the big Wall Street broking firm. But, he says, "although stockbroking is an attractive business, it is not as central to our company as insurance broking."

Besides, he thinks that the retail delivery of financial products is going to become increasingly competitive. "It doesn't mean that we won't serve these areas, but we won't do it in a frontal assault."

A month after it sold United Artists, Transamerica started nibbling at Fred S James' shares in the market. And in March this year, the two sides began general discussions that had turned by August into merger negotiations.

"There are a lot of things that Fred S James is doing – risk management, managing captive companies, aviation underwriting, international operations – which fill out the product range we need to offer," Mr Harvey said.

If Transamerica had been much larger in the general insurance business, he adds, such a bid would have raised serious questions about the future independence of the broking side. "As it is, we can keep James as an entirely separate company, and one which won't be dominated in any way by the property and casualty business."

However, the bid has stirred up some controversy among U.S. insurers. "Does size change the principle?" queried one senior executive last week. "I hope the regulators will look very carefully at any consolidation of underwriters and brokers in one organisation."

Although Transamerica hopes that the merger will make it easier to sell certain products – like employee benefits through its existing sales network, it makes no great claims for any short-term pay-off. "This is a very long haul, strategic move," Mr Harvey said.

The group could have afforded to make a much larger acquisition, and Mr Harvey's eyes still seem to glisten a little when Hutton is mentioned. But the next stage in Transamerica's reconstruction plans could take some time to unfold.

Mr Beckett used to be inclined to shoot from the hip but, "I would rather buy 4 per cent of a company and watch the industry closely than go out and buy 100 per cent and then see what happens," Mr Harvey added.

Besides, Hutton's shares have raced ahead in recent months. Now capitalised at around $750m it would probably be too big a mouthful at present.

'No grounds for criticism of Hambros' says Reksten study

BY FAY GJESTER IN OSLO

HAMBROS Bank emerges unscathed from the long-awaited report on the affairs of the Reksten shipping group by an officially appointed independent enquiry commission.

The report, published yesterday includes a 70-page statement by the UK merchant bank, regarding the part it played in the complicated dealings among the late Hilmar Reksten, his shipping company, the slate backed Guarantee Institute (whose loan guarantees to the Reksten group cost Norweglan taxpayers about $100m) and the Norwegian authorities.

The three-man commission whose report is unanimous, fully accept the banks explanation and say that there are no grounds for criticism of Hambros' behaviour either towards the Norwegian state or the Institute.

Until now, public opinion in Norway has tended to regard Hambros as one of the villains of the Reksten saga. The Bank was harshly criticised by MPs in several parties earlier this year when the Storting (Parliameot) approved – by a majority of only one – a settlement reached between the bank and the Norwegian authorities.

The commission points out that the bank itself bas sustained losses in connection with the Reksten débâcle"losses of a size which are mässive in relatioo to the banks' business and wbich could have beeo reduced if the bank had been less ready to take a leading role in the rescue schemes." The report claims that "the bank does not and did not know whether Hilmar Reksten owned a fortune. If he did that fortune was not and is not under the control of the bank."

Mr Arne Skauge, Trade Minister, indicated at a press conference yesterday that he bad modified his views about Hambros' role in the Reksten affairs after reading the report. "We bow have a fuller picture and a better understanding of the banks special problems."

He suggested that Hambros might have been partly to blame for the developmeot of "media myths" about it in Norway

Montgomery Ward to sell insurance units

BY PAUL BETTS IN NEW YORK

MONTGOMERY WARD, the Chicago-based retail group owned by Mobil, the second lergest U.S. oil company, is seeking buyers for its insurance business, including Montgomery Ward Life Insurance Company, Montgomery Ward Insurance Company and Forum Insurance Company.

The decision to sell the Insurance business reflects Mobil's latest attempt to ease Montgomery Ward's financial plight and provide funds for the chain's stores recovery.

The diversification into retailing through the acquisition of the Chicago chain has proved a great disappointment for Mobil. It typifies the way diversification by major U.S. oil companies has in most cases beckfired.

Other so far unsuccessful diversifications include Exxon's acquisition of Reliance Electric and its entry into the office equipment business, and the numerous acquisitions of minerals and mining companies by large oil companies.

The combined insurance companies that the Mobil subsidiary is putting up for sale have a premium value of $134m, had earnings of $17.3m last year and total assets of $240m. Montgomery Ward, on the other hand, reported losses of $160m last year.

Mr Gordon Worley, executive vice-president of finance for the retailer, said while the insurance business had a fine record of growth and earnings, it was "not vital to the turnaround of the retailing operations of Montgomery Ward."

He said proceeds from the sale would be used to strengthen Montgomery Ward's core retail and catalogue businesses.

Accounting change proposed

By Our New York Staff

THE U.S. Financial Accounting Standards Board yesterday released a document thet could lead to big chenges in the way companies report their pension fund assets and llabilities.

In what it describes as its preliminary views on this controversial subject, the FASB has made proposals which would require recognition of pension-related unfunded liabilities and certain intangible assets in the balance sheet, rather than in notes to the accounts. Aii companies would be required to use a single approach to calculate the amounts of periodic pensioo costs and the pension liability.

The document also tackles the method of measuring peosion costs and liabilities. It proposes a method based on the terms of the pension plan end the pension beoefits promised by those terms. Tbis has been called a "projected unit credit" method, and is similar in some respects to the technique already required for certain regulatory and financial reporting purposes.

The preliminary views of the board are a first step towards the publication of an exposure draft of a proposed statement of financial accounting standards. A final statement is not expected to be issued until 1985 or later. The proposals are bound to be attacked by some companies, especially those wbose shareholders' funds would be wiped oul by sucb an accounting treatment.

Statsföretag sheds lossmakers

BY OUR STOCKHOLM CORRESPONDENT

SWEDEN'S new Social-Democratic Government yesterday unveiled plans for the financial reconstructioo of Statsföretag, the holding company managing some 30 state-owned enterprises.

The mining, steel and forest industry companies, wbich bave been sustaining the heaviest losses, are to be withdrawo from the group and placed under separate administration.

The state will pay Statsföretag SKr 2.4bn ($320m) for the LKAB iron mining company, ASSI the pulp, paper and board company, and its balf shares in the steel company SSAB and Svenska Petroleum (SP). The Government will also inject fresh capital of SKr 22bn into ASSI.

LKAB and SSAB will be formed ioto a combined mining and steel concern uoder NJA, an inactive company belonging to Statsföretag. Gränges, the metals and eogineering subsidiary of Electrolux, owns 25 per cent of the SSAB stock.

Io December last year LKAB and SSAB received new state capital totalling SKr 800 this year, after a loss of SKr 51bo in 1981. Its managemeot has put its capital needs at SKr 2.4bn. It will now obtain SKr 2bo from the Government which will also waive a debt of SKr 275m.

Mr Roine Carlsson, the Junior Industry Minister, said ASSI should not need further government financial backing. He will examine ways of co-ordinating its operations with those of NCB, the other state pulp and paper concern, Södra, the co-operative pulp and paper group in wbich the state has a 40 per cent interest, and Domënverket, the profitable state forestry compeny.

SP, the state oil company, is half owned by the state power board. The Government will acquire Statsföretag's half share in return for annulling e debl of some SKr 225m and taking over other claims.

The Statsföretag group expects to make e loss of around SKr 1.8bn this year and would have faced a severe cash crisis in 1983. In its new shape it will still contain some loss-making companies, such as the chemicals concerns Beroxo and Berol Kemi, but according to Industry Ministry forecasts it should be capable of generating earnings of around SKr 240m next year.

Dome seeks to alter loan plan

BY ROBERT GIBBENS IN MONTREAL

CANADA's Energy Minister, Mr Jean Chretien, has confirmed that Dome Petroleum is pressing for cbanges io the C$1.5bn (U.S.$1.2bn) refinancing plan agreed with the Federal Governmeot and four Canadian benks io September.

The fall in interest rates, better oil and gas prices, and stringent cost controls bave improved Dome's cash flow outlook considerabty for 1983.

Under the refinancing plan – which is still not complete mainly because, the banks do not agree with their proposed role – Ottawa and the Canadian banks would put up C$1bn through the purchase of Dome convertible debentures.

Existing Dome stockholders would put up another C$500m by buying convertible debentures, in return, Dome's short-term debt would be restructurad.

The effect – oo conversion ol the debentures – would be a massive dilution of Dome equity, and the company is now trying to rearrange the refinancing so thai existing stockholders would put up C$1bo and the Government and the banks C$500m.

Mr Chretien suggested that the Government might be willing to go aloog with a reduced state commitmeot to the refinancing, but said in those circumstances the company would be largely on its own again.

The Canadian banks bold the key short-term and medium-term Dome debt totalling around C$4bn. Foreign institutions hold a further C$3bn secured on the cash flow from Dome's subsidiary Hudson's Bay Oil and Gas.

● Atco the major prefabricated industrial building maoufacturer which has diversified inlo oil and gas drilling, reports profits for the six months ended September 30 of C$5.4m (U.S.$4.4m).

EUROBONDS

Broken Hill launches $100m issue

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BROKEN Hill Proprietary, the Australian steels and minerals conglomerate, is raising $100m in the Euromarket through a seven-year 12 per cent bond issue priced at par by lead manager Deutsche Bank.

The bond was the only new fixed rate issue to be launched into a lacklustre market yesterday. The coupon of 12 per cent is the highest seen in the Euromarket for about three weeks, but the paper was reportedly selling rather slowly and the issue traded at a discount of about 1¼ per cent last night.

Dealers said that the borrower's involvement io the steel industry was one inbibiting factor, even thougb it is Australia's premier private sector concern. A previous 14⅛ per cent issue is trading in the secondary marekt at a yield of more than over 13 per cent which makes the terms oo yesterday's issue look rather fine.

In e strongly rising market the bonds might have got eway more quickly but yesterday's trading was marked by only small price rises after Friday's ½ point cut in the U.S. discount rate.

A good section of the market had hoped for a larger fall which meant that yesterday's bood firmness lacked convictioo and buying orders were offset partly by profit-taking by professional dealers seeking to cover their positions.

Six month Eurodollars shed ooly ⅛ point to around 9⅛ per cent yesterday and the ½ point prime rate cut to 11½ per cent by leading U.S. banks had little immediate impact.

A 9 per cent coupon and issue price of par have been set on the convertible bond of $19m to $20m being raised by Svenska Cellulosa, Sweden's forest products company. The conversion premium is around 5 per cent and maturity 15 years. The issue is led by Svenska Handelsbank end S.G. Warburg.

Continental bond markets were little changed to slightly firmer. In Germany negotiations were continuing last night over conditions for the DM 150m issue for Ireland scbeduled for launch yesterday by Commerzbank.

Sumitomo Realty and Development is reising DM 50m througb a 10-year convertible bond wilh an indicated coupon of 6½ per cent and conversion premium of eround 5 per cent. The issue is led by WestLB.

Dutch mortgage bank stays in the red

By Our Financial Staff

WESTLAND-UTRECHT, the Dutch mortgage bank which had to be propped up by Fl 300m ($108m) of institutional funds earlier this year, reports a net loss of Fl 33.1m for the first nine months of 1982.

The deficit compares with losses after six months of Fl 21m and a deficit of Fl 122.7m for the whole of 1981, a setback which resulted in shareholders going without a dividend.

At the operating level, the bank managed a profit of Fl 4.4m against a profit of Fl 13.4m for the first nine months of 1981. It expects to stay in the black at the operating level overall this year.

The bank made provisions of Fl 37.5m in the third quarter, compared with provisions of Fl 50m for 1981 as a whole. The main pressure again came from property, where operating losses totalled Fl 51.3m for the nine months, some Fl 14.4m less than a year earlier.

● Rodamco, the property investment trust of the Robeco group, had net earnings of Fl 13.6m for the first half of the year ending February 1983 up 22 per cent from the year earlier period. Total net asset value rose to Fl 632m from Fl 598m.

Indonesian family hits the U.S. takeover trail

Indonesia's Liem family is well on the way to taking control of Hibernia Bank of San Francisco, the twelfth largest banking group in California. Via their Hong Kong interests, they plan to use the acquisition as a stepping stone to further expansion, possibly in Europe. Robert Cottrell reports

HIBERNIA BANK of San Francisco is a modest but solid bastion of the U.S. west coast financial establishment which unwillingly made the headlines in the mid-1970s when it fell victim to a final fling of radical politics. The Symbionese Liberation Army, an "underground" movement with uncertain aims, raided a branch of Hibernia. In doing so, the raiders showcased their recent acquisition — the machine-gun-toting publishing heiress Patty Hearst.

The Liem family of Indonesia is currently using more orthodox means to stake its claim on Hibernia's assets. In a deal worth U.S. $100m, it is acquiring the voting stock of the bank and providing a capital injection. Hibernia's earnings have been hit this year by a relatively large portfolio of low-rate, fixed-interest loans. The U.S. Federal Reserve Board approved the Liem's agreed bid for Hibernia at the end of last week, and formalities should be completed by the end of this year.

Hibernia is the 12th largest commercial banking organisation in California, with 35 branches and total assets of U.S.$900m. If all goes according to plan, it will be merged early next year with First Pacific Holdings, a financial holding company for Liem interests in Hong Kong.

First Pacific's growth is piloted by its two senior directors, Mr Manuel Pangilinan, former American Express banker, and Mr Robert Meyer, an American lawyer. Behind them stands very considerable funding. The Liem name may not be all that well-known in downtown San Francisco, but the two branches of the family represent the largest accumulation of private commercial interests in their native Indonesia.

The Liems own a majority stake in Indonesia's largest private bank, Bank Central Asia, which has total assets of U.S.$280m; their Indocement company is one of the largest local cement producers; they own Indonesia's largest private flour mill; property investments include a 500-hectare residential development in Jakarta, and they hold 12 per cent of the Hong Kong quoted company, Green Island Cement.

The Liems have had an equity position since 1979 in a Hong Kong deposit-taking company, then called Overseas Union Finance. By channelling their custom into OUF, they boosted its total assets from HK$157.3m at year-end 1979 to HK$838m (U.S.$126.7m) at year-end 1981. At the beginning of this year, the Liems made a public offer for OUF shares, to give them a resultant stake of just over 78 per cent. OUF was renamed First Pacific Finance.

Finance companies in Hong Kong have legal restrictions on plans to diversify, so a parent company, First Pacific Holdings, was established through the take over in March this year of a former "shell" called Shanghai Land. Following rights issues by FPF and FPH, each now has shareholders' funds of over HK$100m.

The plan now is to transfer ownership of Hibernia to FPH. The only cloud on the horizon is the depressed state of the Hong Kong stock market. All being well, the Hibernia transfer will be funded by a rights issue from FPH in February or March.

First Pacific's ambitions do not end with Hibernia. It plans to acquire an unspecified—but non-financial—company in Europe. It would also like to own a Hong Kong bank.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for November 22.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/87	150	108⅛	108⅝	-0⅛	0	11.79
Amax O/S Fin 14¼ 89	75	106½	107	-0¼	-0¼	12.69
Amro Bank 13 89	200	101⅝	102⅛	-0⅝	-0¼	12.57
BHP Finance 14¾ 89	150	104¾	105¼	-0⅛	-0⅝	13.45
BA America NT & SA 12 87	200	101⅛	101⅝	0	0	11.54
Bk Montreal 14½ 87	100	104¼	104¾	-0⅝	-0⅝	13.05
Bque Indo Suez 15 89	100†	106⅝	107⅛	-0⅝	0	13.27
British Col Hyd 14¾ 89	200	108⅝	109⅛	-0¼	-0½	12.58
British Col Hyd 15⅛ 92	150	113⅛	113⅝	-0½	+0⅝	12.73
Canada 14¾ 87	750	109¼	109¾	+0½	+0⅝	11.53
Canadian Wheat 11¼ 90	50	97¾	98¼	—	—	11.84
Canadair Ltd 12½ 89	175	102¼	102¾	+0⅝	+0½	11.95
Can Pac Sec 14⅛ 92	75	107	107½	+0½	+0¼	13.28
Can Pac Sec 15 89	75	105½	106	0	-0⅛	13.68
Citicorp O/S 15 84/92	100	104¼	104¾	-0½	+0⅝	11.10
Coca Cola Int 11¾ 89	100	103	103½	-0⅛	-0⅝	11.83
Deutsche Bk Fin 14¼ 89	300	106	106½	-0½	-0⅛	12.77
Du Pont 14⅛ 89 WW	200	108¼	108¾	+0½	+0⅝	12.61
E.C.S.C. 14¾ 87(A)	80	107¾	108¼	+0⅝	-0⅛	12.21
E.S.F. 12¾ 87	150	101⅞	101⅜	—	—	12.28
E.I.B. 15½ 92	100	110	110½	+0¾	-1	13.50
Eksportfinans 14½ 89	50	105	105½	+0⅛	-0⅛	13.16
Exp Dev Corp 11¾ 87	100	100½	101	-0¼	-0⅛	11.53
Forsmarks 13¾ 92	75	103	103½	+0½	+0⅝	13.12
Gaz de France 12¼ 93	175	20	20½	-0½	-0⅛	12.18
Gen Elec Credit 12 89	100	104½	105	-0¼	-0¼	10.95
Getty Oil Int 14 89	125	105½	106	-0⅛	+0⅛	12.80
GMAC O/S Fin 15 87	100	106⅛	106⅝	+0⅛	-0½	12.97
GMAC O/S Fin 16 89	125	107⅜	107⅞	-0⅛	-0½	13.13
GMAC O/S Fin 15¼ 85/97	100	105⅛	105⅝	-0⅝	+0¾	12.38
Gulf OO Fin 12¼ 87	100	103⅛	103⅝	+0⅝	0	11.20
IBM World Trade 12¼ 92	200	105¾	106¼	+0⅝	-0⅜	11.28
Manitoba Prov 11¾ 89	125	106⅜	106⅞	+0⅝	+0¾	11.61
Manitoba Prov 13¾ 89	100	105⅜	105⅞	+0½	-0⅝	12.46
Midland Int Fin 11½ 92	150	98⅜	98⅞	—	—	11.74
Nat West Fin 11¾ 92	150	99⅝	100⅛	+0⅛	+0⅛	11.77
New Brunswick 15¼ 87	75	108	108½	+0¼	+0⅝	12.75
Newfoundland 15½ 90	75	107⅝	108⅛	—	—	13.74
Nova Scotia Prv 15⅛ 89	75	110¼	110¾	+0⅛	-0½	12.79
Ontario Hydro 12¾ 92	200	103⅛	103⅝	0	-0⅛	12.11
Ontario Hydro 14¾ 89	150	108⅝	109⅛	+0¼	+0⅛	12.50
Ontario Hydro 15 92	150	112¼	112¾	+0⅝	+0½	12.66
Phillips Petrol 14 89	200	106⅛	106⅝	+1¼	+1¼	12.46
Prudential O/S 12¾ 87	150	103⅞	104⅜	+0⅝	-0¼	11.58
R. J. Reynolds 12⅝ 89	100	102⅝	103⅛	+0¼	-0½	12.09
Saskatchewan Prov 15 92	150	110¼	110¾	0	-0⅝	13.00
Shell Canada 14⅜ 92	125	107⅜	107⅞	-0⅝	-0⅜	12.89
Superior O/S Fin 14 89	125	105⅜	105⅞	+0⅝	+0¼	12.84
Swed Exp Credit 14¾ 89	100	105⅜	105⅞	+0⅝	0	13.46
Texas Eastern 15¾ 89	80	109¼	109¾	+0⅛	+0¾	13.42
U.B.S. 10¾ 87	200	106	106½	—	—	10.68
U.B.S. 11 89	150	100⅛	100⅝	—	—	10.92
Walt Disney Pro 12½ 89	75	102⅝	103⅛	+0½	+0¾	11.79
World Bank 13¼ 87	300	104½	105	+0½	+0⅛	11.88
World Bank 15 87	250	110¼	110¾	+0½	+1⅛	11.90
World Bank 15 89	150	110⅝	111½	-0⅝	+1	12.15
Xerox Fin 14 87 WW	180	104⅛	104⅝	+0⅝	+0½	12.87

Av. price changes: on day +⅛, on week +¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 9¼ 92 (AP)	150	100¾	101¼	-0¼	+0¼	9.07
Asian Dev Bank 8½ 92 (AG)	150	100¾	101¼	+0¼	+0¾	8.86
Austria 8⅝ 92	100	99⅝	100⅛	0	0	8.36
Barclays O/S Inv 8⅜ 94	100	100	100½	0	+0⅛	8.33
Benchem Fin 9½ 92	125	99½	99⅝	0	+0⅛	8.21
Black & Decker 9⅛ 89	100	103⅜	103⅞	+0¼	+0¼	8.35
Bowater Int Fin 8½ 89	50	98⅞	99⅜	+0½	-0⅛	8.74
Caisse Nat Tele 9½ 92	100	102½	103	-0½	-0⅛	9.05
Cred Foncier 8¾ 92	100	99⅝	100⅛	-0⅛	0	8.74
E.I.B. 8¼ 92	200	99⅞	100⅜	-0⅛	+0⅝	8.21
E.I.B. 8⅜ 92	100	99⅜	99⅞	+0½	-0⅝	8.42
Int-Am Dev Bk 9 92	150	100⅝	101⅛	-0⅛	+0⅝	8.82
ITT Antilles 9¼ 92	100	100⅝	101⅛	-0½	-0½	8.17
[illegible]						

Av. price changes: on day [illegible], on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Av. price changes: on day [illegible], on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
New Zealand 8⅝ 87	15	103⅝	102⅝			7.81
World Bank 8⅝ 92	20	101⅞	102⅜	-0¼	-1⅛	8.07

Av. price changes: on day +0⅛, on week -1

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	100†	106⅝	106⅞	-0⅛	0	13.72
Brit Col Tel 17¼ 88 C$	50†	111½	112	-0½	-0⅝	14.08
Can Utilities 17 87 C$	35†	111	111½	0	-1	13.56
Gaz Metro 17⅛ 90 C$	20†	107	107½	0	-0¼	15.57
O.K.B. 16½ 88 C$	63†	109	109½	-0½	-0⅝	13.70
Quebec Hydro 14 92 C$	60†	104¼	104¾	-0½	-0¼	13.16
Univ Quebec 16⅛ 87 C$	17†	102	102½	0	-1	15.81
E.I.B. 12⅞ 90 Ecu	60	102⅝	103⅛	-0½	0	12.23
Amro Bank 9½ 87 Fl	100	102	102½	+0½	+1	8.92
Bk Mees & Hope 10 87 Fl	75	103	103½	-0¼	+0⅝	9.13
Nedlloyd Grp 10⅛ 87 Fl	75	102	102½	-0⅝	-1⅛	9.66
Sues O/S 10¼ 87 Fl	100	105⅝	106⅛	0	-0½	8.89
Van Lanschot 10¼ 87 Fl	50	104½	105	+0⅝	-1⅛	9.08
World Bank 10 87 Fl	100	103⅛	103⅝	+0⅛	+0⅝	9.08
O.K.O. 14 88 FF	400	97⅛	98⅛	-0⅝	-0⅝	14.81
Solvay & Cie 14¾ 88 FF	200	95⅝	97⅛	0	-0⅝	15.94
B.F.C.E. 14½ 87 £	60	100½	101½	-0½	-0⅝	11.75
B.N.P. 13½ 91 £	15	103⅞	104⅞	-0⅛	-1⅝	12.59
C.E.C.A. 13½ 90 £	20	104⅛	105⅛	-0½	-2	12.34
C.N.T. 12½ 89 £	20	100⅜	101⅛	-0⅛	-1⅛	12.23
Fin For Ind 12⅛ 89 £	30	102¼	103	-0½	-2⅛	11.88
Fin Nat Oranj 12⅝ 92 £	30	25⅜	25½	-0¼	-1⅛	12.44
Gen Elec Co 12½ 89 £	50	103	104	-0⅝	-1⅛	11.95
Hiram Walker 14¼ 86 £	25	104⅞	105⅛	0	-0½	12.11
Mort Bk Fin 11⅝ 89 £	15	24¼	25¼	—	—	13.06
Norsk Hydro 14½ 87 £	30	100½	101½	-0⅝	-0⅝	11.80
Quebec 14½ 88 £	30	106⅝	107⅝	-0½	-1⅝	12.87
Quebec 15½ 87 £	35	110⅝	111⅝	+0⅛	-0⅝	11.80
S.D.R. France 15½ 92 £	30	106	107	-0½	-1⅛	14.76
S.N.C.F. 11½ 89 £	30	22¼	23	0	-0⅝	12.87
Tenneco Int 14⅜ 87 £	30	105⅝	106⅝	-0⅛	-1½	13.04
World Bank 11⅞ 01 £	75	28⅜	29⅜	—	—	11.71
Eurofima 10½ 87 LuxFr	500	98¼	98¾	0	+0⅛	10.60
Europarat 12½ 92 LuxFr	500	104⅝	105⅛	0	+0⅝	11.57

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	97⅝	98⅛	18/4	10⅝	10.98
Bank of Tokyo 5¼ 91 (D)	0½	99⅝	100⅛	3/12	15⅝	15.25
Bank Nova Scotia 5¼ 93	0⅝	98⅝	99⅛	29/4	10½	10.61
B.F.C.E. 5⅛ 88	0½	98½	99	28/4	10.89	10.73
B.F.C.E. 5¼ 87	0¼	100	100½	27/1	14	13.97
Caisse Nat Tele 5¼ 90	0¼	99½	100	21/4	10.56	10.50
C.C.C.E. 5½ 2002	0⅜	98⅝	99	11/12	15⅝	15.55
Cepme 5¼ 92	0⅛	99⅝	100⅛	10/12	15.44	15.44
Chemical NY 5¼ 94 ††	0¼	99¼	99¾	23/12	12⅝	12.44
Credit Agricole 5¼ 97	0¼	100	100½	24/3	12⅝	12.60
[illegible]						

Av. price changes: on day [illegible], on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

[illegible]

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World Airways names new chief

WORLD AIRWAYS has appointed Mr Brian A. Cooke president and chief executive officer and Mr Edward W. Ringo, senior vice-president, general manager operations, has been elected executive vice-president. Mr Cooke joined World Airways in 1964 as vice-president and assistant to the chairman. He was elected to the board in 1966 and made a senior vice-president in 1968.

● Mr Willie D. Davis has been appointed to the board of MGM/UA ENTERTAINMENT CO. Mr Davis is president of All-Pro Broadcasting Inc which owns and operates radio stations in Los Angeles, Milwaukee, Houston and Seattle.

● Mr Joseph F. Alibrandi, president and chief executive officer of Whittaker Corp, Los Angeles, has been elected a director of SANTA FE INDUSTRIES INC AND SANTA FE RAILWAY.

● Mr Eli Oxenhorn has been appointed director, computer operations and software planning, WARNER COMMUNICATIONS INC. He was director, Warner Data Services.

● Mr John W. Teets, chairman of the board and chief executive officer of The Greyhound Corp of Phoenix, Arizona, has been elected a director of GETTY OIL CO.

● Mr H. Robert Sharbaugh, former president and chief executive officer of Sun Company Inc, has been elected to the board of HERSHEY FOODS CORP.

● Dr Brian Fender, a chemist and neutron scientist from the University of Oxford, has been appointed director of the Institut Max von Laue-Paul Langevin, a research establishment at Grenoble founded jointly by the UK, France and Germany. He is on secondment to the Institut and has been there since April 1980 as an associate director. He takes over from Professor T. Springer, who has now returned as head of the neutron scattering laboratory at the Institut für Kernforschungsanlage, Jülich and to his Chair at Aachen University.

● Dr H. C. Kurt Hess will retire as vice-chairman of the board of UNION BANK OF SWITZERLAND at the next general meeting. The board is to propose Dr Gustav Tobler, executive vice-president, as a new member of the board at the general meeting to be held on April 7 and, on the condition that the general meeting approves his appointment, to designate him the new vice-chairman to the board. Dr Peter Gross, executive vice-president, presently in charge of the administrative division, has been appointed Dr Tobler's successor and will assume his new duties as head of the commercial division on April 15. On the same date, Mr Heinrich Steinmann, executive vice-president, will become responsible for the administrative division.

● Mr James R. Rulmyr has been named director of strategic planning systems for GENERAL INSTRUMENT CORP. Prior to joining General Instrument, Mr Rulmyr was a principal in Braxton Associates, Inc. a management consulting firm with headquarters in Boston.

World Airways names new chief

OVERSEAS OPERATIONS BOOST PROFITS

Strong growth for Japanese banks

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S 13 "city" banks—the country's main commercial banks—increased their pre-tax profits by an average of just over 30 per cent in the six months ended September 30 as a result of fast rising income from overseas operations and an improved margin between domestic loan and deposit costs.

The sharpest increase in profitability among the top five banks was registered by Fuji Bank with pre-tax profits up 68.1 per cent over levels a year ago to Y59.2bn ($232m) on income of Y976bn, up 27 per cent from a year earlier. Fuji's international revenue jumped 62 per cent from year ago levels to Y27.6bn.

Sumitomo Bank remained the most profitable of the top five city banks with pre-tax profits up 56 per cent to Y67.9bn (on income of Y876.8bn) and revenue from international operations up 45.5 per cent to Y31.5bn.

Dai-Ichi Kangyo, Japan's number one bank in terms of deposits, increased its pre-tax profits by 8.4 per cent to Y37.7bn on income of Y1,025bn.

The remaining two banks out of the big five, Mitsubishi and Sanwa also reported sharply improved results. Mitsubishi's pre-tax profits were up 27.4 per cent to Y44.9bn on income of Y900.9bn. Sanwa reported a 34 per cent jump in pre-tax profits to Y40.8bn on income of Y846.9bn.

The 13 city banks taken together registered a 42 per cent increase in income from international operations — reflecting sharply expanded overseas loan balances combined with foreign exchange gains from the steep decline in the yen exchange rate from the autumn of 1981.

For Sumitomo (the largest overseas operator with the exception of the internationally-specialised Bank of Tokyo), overseas loan balances rose 42 per cent on the previous year's levels (after translation into yen) while net overseas interest income jumped 89 per cent.

Overseas loan balances are expected to grow less rapidly in the coming six months reflecting exposure problems in Latin America and elsewhere. However, most of the 13 banks expect a continued increase in their external revenue.

Improved margins on domestic funding operations followed declines in both loan and securities yields and in the cost of deposits and borrowed funds. Deposit costs came down faster than loan yields in delayed response to the general lowering of interest rates following the end of the second oil crisis.

All the banks continue to report negative margins between loan yields and deposit costs alone, but a majority of the 13 report positive margins on overall funding.

The September business period was the fourth consecutive half-year in which the city banks reported improved earnings.

Chiyoda Chemical earnings soar

BY YOKO SHIBATA IN TOKYO

ONE OF Japan's top process plant engineering companies, Chiyoda Chemical Engineers and Construction, boosted its unconsolidated pre-tax profits by 81 per cent to Y16.27bn ($63.4m) in the fiscal year ended September 30, due mainly to the completion of a series of large-scale plants overseas.

Chiyoda's full-year net profits surged by 138.3 per cent to Y2.66bn on sales of Y368.08bn, up 36.4 per cent from the previous year. Per share profits rose to Y17.34, from Y8.80 in the previous year. The dividend for the year was maintained at Y6 a share.

During the past year, construction of oil plants in Saudi Arabia and Iraq and a petrochemical plant in Abu Dhabi was completed, which boosted revenues. Export sales surged by 29.3 per cent to account for 72.5 per cent of total turnover.

The depreciation of the yen improved the profitability of construction works considerably. Net financial revenue reached Y18.2bn against Y6.58bn in the previous year thanks to the depositing in money markets of funds received as advance payments for construction.

These favourable factors more than offset foreign exchange losses totalling Y10.87bn on some foreign loans.

In the current year ending the company's pre-tax profits are expected to increase by 53.6 per cent to Y25bn, on sales of Y370bn, up only by 0.5 per cent. The forecasts are based on the assumption that its Iraqi construction works will progress smoothly.

The company also indicated that it may increase its dividend.

Solid gains for long-term credit institutions

By Our Tokyo Staff

JAPAN'S THREE long-term credit banks—Industrial Bank of Japan, Long-Term Credit Bank of Japan and Nippon Credit Bank—improved their aggregate net profits by 20 per cent in the half-year to end-September.

IBJ increased its pre-tax profits by 83 per cent to Y41.5m ($162m) and LTCB had a 45 per cent gain in pre-tax profits to Y29.1m, both because of a sharp decline in losses on securities transactions. Their operating revenues increased 14.6 per cent to Y699.7bn and by 10.7 per cent to Y555.1m respectively.

Net profits rose 37.5 per cent at IBJ to Y21.5bn and 10.4 per cent at LTCB to Y13.96bn.

Nippon Credit Bank's pre-tax profits fell 14.4 per cent because it made smaller gains on securities transactions than a year earlier. Net profits rose 1.7 per cent to Y8.4bn and revenue increased 10.6 per cent.

IBM in joint venture with Orient Leasing of Japan

BY OUR TOKYO STAFF

IBM JAPAN, a wholly owned subsidiary of IBM of the U.S., is to form a joint venture with Orient Leasing, Japan's largest leasing company and Morgan Guaranty International Finance, an investment arm of Morgan Guarantee Trust of New York, the fifth largest U.S. bank, to launch computer leasing business in Japan.

The new company, Computer System Lease Incorporated — owned 36 per cent by IBM Japan, 35 per cent by Orient Leasing and 29 per cent by Morgan Guarantee International Finance Corporation — is capitalised at Y3bn ($11.8m), and will start operation in January next year.

The new leasing company will handle IBM's medium to large computers from System 31 to System 38.

The joint venture is designed to step up sales of IBM computers by combining Orient Leasing's marketing network with Morgan Guaranty's financial muscle.

IBM Japan has recently announced that it will also launch a joint venture with Japanese trading house, Kanematsu-Gosho to handle and service office automation equipment, including the office computer IBM System 23.

Tokyo inquiry hits drug share prices

TOKYO—Pharmaceutical share prices fell against the market trend on the Stock Exchange following news that Nippon Chemiphar is being questioned by Health Ministry officials about the alleged falsification of data for authorising a new drug.

Nippon Chemiphar, which was recently the subject of buy recommendations by many Japanese brokerage houses, fell the Y300 limit to close on offer at Y1,550 with no takers throughout the session. Foreign investors hold 21 per cent of its shares.

For the financial year ended March 31 last, Nippon Chemiphar announced a 14.5 per cent rise in its parent company net profit to Y1.84bn ($7.2m) on sales up 7 per cent to Y22.81bn.

Health and Welfare Ministry officials said they have questioned three company executives about allegations that the company obtained authority to market Norvedan, an anti-inflammatory analgesic, by submitting fake clinical test data.

The officials said they will conduct a full review of clinical test data submitted.

Brokers said Norvedan was launched in February this year and has been used to treat lumbar pain, chronic rheumatism, internal diseases and throat ailments. It was on the strength of this and other new drugs that the company's share price rose to Y1,870 last week from Y1,040 at the start of the year.

Sales of the drug totalled Y500m in both February and May, exceeding the company's initial Y300m projection, but then dipped to Y250m a month.

The fall of Nippon Chemiphar will at least have a short-term depressing note on Japanese pharmaceutical stocks.

Reuter

UAE Arab African Bank

ARAB AFRICAN International Bank is turning its branch in Dubai and its branch in Abu Dhabi into a joint venture, UAE Arab African Bank. The shareholders will b AAIB (50 per cent), the UAE Government (40 per cent) and the Dubai Government (10 per cent).

An article on this page on November 12 incorrectly reported that the UAE Government was taking a 50 per cent stake in AAIB itself. AAIB's ownership is unchanged with the governments of Egypt and Kuwait holding 42 per cent stakes and of Iraq 10 per cent. The remaining shares are held by the governments of Jordan, Qatar and Algeria and Bank al Jazira of Saudi Arabia.

The ownership of AAIB's Bahrain subsidiary, Al Bahrain Arab African Bank (ALBAAB) also is unchanged, contrary to the article. It is owned by AAIB (60 per cent), Arab Multinational Finance, Luxembourg (10 per cent), Kuwait Ministry of Finance and Central Bank of Egypt (both 9 per cent), Bank al Jazira (4 per cent) and Central Bank of Algeria, Mafidain Bank, Iraq, and the finance ministries of Jordan and Qatar (all 2 per cent each).

UK COMPANY NEWS

Metal Box down 21% interim held

REDUCED UK trading profits coupled with heavier interest charges have cut pre-tax profits of the Metal Box group by 21.3 per cent from £17.8m to £14m in the half year ended September 30 1982. This result follows an increase from £29.1m to £40.1m in profits for the whole of 1980-81.

Interim sales showed an increase of 10.3 per cent to £627.3m but pressure on margins, particularly in the UK, left trading profits down 5.2 per cent to £32.7m before interest charges of £18.7m (£16.7m). There was some improvement in profit in the second quarter, reports Mr Dennis Allport, chairman.

He tells shareholders in his interim statement that, as indicated in July, UK trading in most of the group's markets during the first quarter was "very dull." In addition the group was still carrying the operating costs of three factories—the closures were announced in March 1982 and completed by July—and the costs of completing the Stelrad division modernisation programme.

Together the effects amounted to about £4m in non-recurring costs and as a result group profits for the quarter were little better than break-even, says Mr Allport.

The group makes no forecast of the year's trading. Mr Allport says that in the present climate of depressed trading world-wide it would be imprudent to forecast the outcome. But, he says, efforts to rationalise production to improve efficiency have begun to take effect.

Although not covered by stated earnings of 2p (4.6p) the interim dividend is held at 5.04p net per £1 share. The total for 1980-1981 was 11.55p.

An analysis of the trading profit by activity shows a return to profits of £3.5m (£0.3m loss) from open top packaging, while paper and plastics turned round from profits of £1.9m to losses of £0.4m and engineering from profits of £0.6m to losses of £0.4m. Profits from general line packaging were down from £5.1m to £4.2m, on reduced sales of £75.9m (£76.8m), and the contribution from overseas subsidiaries and associates was down from £28.5m to £26.3m. Losses from the Stelrad central heating division amounted to £1.1m (£1.3m).

Mr Allport reports that UK packaging demand for the first half of the year was about 6 per cent lower in volume than for the same period of the previous year. Pressure on margins continued, due largely to excess capacity throughout Europe in certain areas of the business.

However, the group achieved some improvement in profits in the second quarter following the completion of the factory closures and completion of the Stelrad modernisation programme. Mr Allport says that the measures taken last year to improve efficiency have resulted, in particular, in the resumption of profitable operations in both the open top division and the Stelrad division in the UK in the second quarter.

The chairman says that aided by increased demand these two divisions should continue to improve their performances in the second six months. The fall in profits in the general line division and losses in the paper and plastics and engineering and also in parts of the UK beverage can operations are still a "cause for concern." The group is likely to announce some further retrenchment shortly, although on a lower scale than the action taken in the past two years.

Mr Allport says that the overseas subsidiaries have continued to perform satisfactorily and produced a marginally higher trading profit of £26.8m. A weakness has been the U.S. where the recession has reduced the level of profits to below that of a year ago.

The reduction in profits of associates from £1.8m to £0.5m was mainly due to India and the metals business in Nigeria.

After estimated tax of £7.8m (£11m), minorities of £5m (£3.3m) and extraordinary charges of £1.3m (£5.4m), there is a balance of £0.2m (£1.9m loss) attributable to the group.

On a CCA basis there was a loss per share of 6.6p (7.7p).

Mr Allport says that the group has continued to give high priority to reversing the growth in group borrowings. The company is on course to achieve its objective of a nil cash outflow in the full year. Expenditure on fixed assets in the first half year has been restrained at £24m of which £15m was overseas, compared with £57m for the whole of last year.

See Lex

Common Bros. falls to losses of £4.18m

SHIP OWNER, broker and manager and marine consultant and insurance broker Common Brothers fell from pre-tax profits of £629,000 to losses of £4.18m in the year to June 30 1982, on turnover ahead by almost three times at £32.52m compared with £11.71m.

With losses per 50p share given as 16.6p (9.1p earnings) and trading conditions continuing to be difficult the final dividend is again being missed leaving the year's net distribution at 1p (5p).

At the operating level the group earned profits of £272,000 (£2.64m losses). After associates (losses of £848,000 (£54,000 profits), special charges and provisions of £1.55m (nil) and surpluses on the sale of ships and investments much lower at £835,000 (£3.39m) trading losses emerged at £1.29m (£806,000 profits).

The special charges and provisions were made up of a provision for a doubtful debt in a subsidiary of £440,000, redundancy costs of £506,000 and the writing down of investments in associates and other companies of £607,000.

As already reported the surpluses on the sale of ships and investments only reflects a small proportion of the gain on the sale of MV Simonburn and MV Strait of Canso which is being credited to the profit and loss account over the initial eight years of the charter period.

The taxable losses were struck after interest charges of £3.14m (£239,000) and included a credit for foreign currency loan adjustments of £252,000 (£162,000). There was a tax credit of £3.75m (£386,000 charge) and attributable losses came to £999,000 (£273,000 profits).

At the half-year stage the group had already incurred pre-tax losses of £3.04m (£290,000).

Concentric advance halted in second half of year

FOR THE year ended September 30 1982 taxable profits of Concentric emerged just £94,000 higher than those of the previous year at £1.12m following a halt to the sharp advance seen at mid year.

The outcome for the year is described as a "considerable achievement" in the circumstances although Mr John Bellinson, the chairman, warns that the future remains depressed.

He says prospects of continuing improvements in sales and profits were dashed in June with a general reduction in demand, particularly for companies supplying original equipment to the domestic appliance and automotive industries.

On a brighter note, he says, the group's interests in process controls, electronic developments in telemetry, energy conservation and water resource control systems are making a significant contribution.

Mr Bellinson adds that the group will continue to exploit its abilities on a worldwide basis and reveals that its first overseas office in Chicago is being joined by another in Singapore where a growing market for the group's products is seen.

The dividend for 1981-82 is being maintained at 3.31p net by a reduced final of 2.1p (2.71p)—stated earnings per 10p share emerged higher at 4.92p (4.75p) after tax of £191,000, against £130,000.

Turnover moved ahead from £37.69m to £40.48m.

Group sales and profits were reported to be "on target" at the annual meeting last January. After six months pre-tax profits were £365,000 higher at £667,000 compared with the first half of the previous year.

In their interim report the directors said new markets and new products, with the emphasis on specific export opportunities, would be the most significant factors in the group's search for profit. They pointed out that traditional activities continued to be depressed.

On a CCA basis pre-tax profits for the year under review were £175,000 (£194,000).

● comment

After a first-half in which profits more than doubled, Concentric's final figures seem disappointing. But if the 1980-81 profits of over £200,000 from property disposals are discounted, this year's advance is still significant and the group of small manufacturing companies weathered this summer's slump in demand much better than many of its counterparts in the West Midlands. Nevertheless, profits in the final quarter were tiny and there have been no signs of an upturn in the current year, at least from the automotive industry. Since last year's management shake-up and decentralisation moves, Concentric has been able to reduce its dependence on traditional domestic engineering markets. Its higher technology, electronic process control products, which have applications in waterworks and office temperature control, should provide a useful growth area in the current year. A weaker pound will be a crucial factor in assisting the group's export drive. Overseas sales in 1981-82 totalled £8m. The maintained dividend, giving a yield of 11.8 per cent, reflects optimism that the poor sales record of the last five months will not persist. Unchanged at 42p the share price stands on 14 times 1981-82 fully-taxed earnings.

Radio City tops forecast at £442,000

Taxable profits of the first commercial radio station to go public, Radio City (Sound of Merseyside), advanced by 10.5 per cent from £400,000 to £442,000 in the year to September 30 1982, thus exceeding its forecast of £425,000 last May when it joined the Unlisted Securities Market.

In line with the offer for sale document the year's dividend is set at 3.8p (3.5p) net, while earnings per 25p share are given as 9.23p (9.31p).

The pre-tax figure was struck after IBA primary rental of £259,000 (£212,000), IBA secondary rental of £168,000 (£112,000) and an Exchequer levy of £17,000 (nil), but included investment income down from £107,000 to £79,000 because of lower interest rates.

Tax took £218,000 (£182,000) and there was an extraordinary credit of £8,000 (£6,000 debit) for net profits on the disposal of investments, leaving attributable profits of £232,000 (£212,000).

The directors say the audience sizes have been maintained at their previous high levels.

Both the designer and the general manager for the proposed Beatle City exhibition have been appointed they say. Substantial financial support is to be provided by Merseyside Council. Unless there are unforeseen difficulties the exhibition will open in late 1983, they add.

Current cost adjustments reduced the pre-tax profits to £416,000 (£355,000) and earnings per share to 8.2p (7.39p).

BCA ALLOTMENT

The resolution by the British Car Auction Group to allot 1.25m new ordinary shares of 10p each in the group was passed at an EGM.

A B ELECTRONIC

The rights issue of 973,684 ordinary shares by A B Electronic has been taken up as to 96 per cent. The balance has been sold at a net premium equal to 136p per share.

Hicking Pentecost depressed

A DIFFICULT trading climate in the textile industry is reflected in reduced profits for the six months to the end of September 1982, according to the directors at Hicking Pentecost. The taxable surplus fell by £124,000 to £6,000 for the period at this textile manufacturer and commission dyer.

During the second half the directors say they are negotiating for further export business but devaluation in certain countries will not be in their favour. They have continued with costly investment and training programmes to broaden the product range base. Some of these programmes are almost complete and they say the results will help future profits.

In the dyeing division they say that early indications are that the improved trend is likely to continue and further savings on overheads will benefit the second half. Hicking Pentecost Fabrics is entering its busy season, they say.

Although losses per 50p share were given as 0.63p, compared with earnings of 4.23p, the net interim dividend has been held at 2p. In the last full year a total of 4p was paid. The directors say that the interim has been declared after "carefully considering the company's long and short term prospects." Payment of the final will depend on their assessment of the situation in June 1983.

In the last full year pre-tax profits stood at £191,000 on turnover of £12.9m. For the period under review turnover was down from £6.37m to £5.93m.

Severe pressure was encountered on profit margins during the six months in the knitwear division, say the directors. Sales to major contract outlets were "very keenly priced" and this, together with reduced orders caused decreased manufacturing efficiency during the period. The division showed lower profits than for the corresponding period.

Although dyeing operations have shown a similar level of loss to that shown in the same period last year this was incurred in the first three months of the period. Following administrative changes at the end of May these operations achieved a profit during the second three months. This profit is small but the directors say the trend is "significant."

Trading by Hicking Pentecost Fabrics is very seasonal and demand is at a low level during the summer months, they say.

After a same-again tax charge of £22,000, there was a deficit of £16,000 at the attributable level compared with profits of £108,000 last time.

At the operating level profits fell by £85,000 to £150,000. Interest payable amounted to £144,000 (£105,000).

On a current cost accounting basis pre-tax losses came to £143,000 (£169,000).

Tern-Consulate profits hit by interest charges

AFTER interest charges at Tern-Consulate rose from £100,000 to £215,000 pre-tax profits for the first half of 1982 dropped by £91,000 to £14,000. The directors point out that extended credit taken by an export customer on goods invoiced in the previous year resulted in a substantial increase in the interest charge.

Sales of this maker of shirts, ties and knitwear were little changed at £3.7m against £3.73m. At the trading level profits improved from £206,000 to £229,000.

Trading during the first half year has been far from buoyant, say the directors, but there are signs that the recent reductions in interest and mortgage rates "are beginning to have a beneficial effect upon the High Street."

The interim dividend has been passed—last year a net total of 2.5p was paid including an interim of 0.7p.

In the last full year pre-tax profits stood at £280,963 (loss £194,757) on sales of £9.44m (£7.12m).

There was again no charge for tax and non-recurring items were reduced to £678 (£4,300).

Production levels restored at S. Lyles

At the annual meeting of S. Lyles, carpet yarn spinner and dyer, Mr John Lyles, chairman told members that despite a sluggish start to the financial year, and although profit margins remained lean production levels were now at least equal to their previous best.

This was as a result of increasing demand from the home market, said Mr Lyles, which he said was the result of the Government's determination in reducing inflation and interest rates. The higher level of demand from the home market, he claimed disproved the "myth" that during a period of increased consumer spending, resultant higher demand would be met by imports.

Bowthorpe cash call marginally undersubscribed

Bowthorpe Holdings £9½m cash call, made on October 5, has been marginally undersubscribed. In response to the rights issue of 4.04m new ordinary shares, 3.9m equivalent to 96.72 per cent, have been taken up by shareholders.

The remaining 132,480 shares have been sold in the market and the net proceeds will be distributed to those shareholders who did not take up their entitlements.

Garfunkels attracts large premium

Trading in the shares of Garfunkels Restaurants on the USM made a speedy start yesterday. Placed by Capel-Cure Myers at 95p, the shares opened at £1 and rose rapidly to a high of 132p, almost two and a half times the placing price. By the close the shares had eased to 119p.

A dealer said yesterday: "I thought the maximum premium would have been about 30p, but the shares shot up very quickly. The volume and size of the bargains was over average for one of these issues. I can see the shares getting back into the 130s tomorrow."

BEECHAM

Beecham SpA has bought a 51 per cent interest in a pharmaceutical company Manetti and Roberts of Florence.

The Italian arm of the British-based pharmaceuticals and cosmetics group completed the deal after a year of negotiations. The price was not disclosed.

Elliott Group losses reduced

A PRE-TAX loss of £140,000 is reported by the Elliott Group of Peterborough, the manufacturer of relocatable buildings furniture and joinery which was taken over by Jenks and Cattell at the end of last year after a bid battle. After six months there was a profit of £144,000.

The result covers a period of 15 months to June 30 1982 and compares with a loss of £960,000 for the previous 12 months. Turnover amounted to £19.6m (£17.37m) from which an operating profit of £208,000 was achieved (£24,000 loss).

The loss is struck after lower interest charges of £348,000 (£710,000) and for the year 1980/81 was after an exceptional debit of £226,000.

The directors report that the buildings division remained profitable while the joinery incurred a small operating loss. They say that the building side is very active and operating at a more profitable level since the end of June.

The joinery side has produced operating profits since the end of June following rationalisation measures taken earlier in the year.

The market potential of the building division's products in the Far East and other overseas markets is being actively considered and the company has already a number of overseas contracts in progress, the directors state.

The group has diversified into the manufacture and installation of UPVC windows, "for which there appears to be a healthy demand." Increasing rewards are looked for from this activity.

Tax requires £2,000 (CDT £388,000), and there are extraordinary costs of £578,000 (£54,000). The loss per 10p share was 2.02p (13.09p).

Guinness Peat —'strong future' says chairman

Mr Edmund Dell, who steps down as chairman of the troubled Guinness Peat Group at the end of this week, said yesterday that he was sorry about the recent performance of the group but believed it had a "strong future."

Replying to a shareholder who said that Guinness Peat had been an "unmitigated disaster" since he took over as chairman, Mr Dell said he was confident that with the rationalisation of the group's activities which had taken place and "the developments that the board has in mind," the group had a strong future.

Mr Dell said that he and the board had decided last year "that it was necessary to undertake substantial rationalisation of the group in order to bring it under more secure control." In order to do that Mr Alastair Morton had been invited to take over as group chief executive.

Mr Dell said that he had been instrumental in bringing in the new management and hoped as a result that he had contributed to the futura prosperity of the group.

Flightspares sees profit rise

A "modest increase" in current year profits is predicted by Mr E. Lane, chairman of Flightspares, stockists of aircraft spares and equipment.

In 1981/82 turnover was roughly maintained at £5.3m and trading margins showed a slight improvement. After allowing for increased overheads, however, the pre-tax profit emerged lower at £510,449 (£600,709).

Meeting Southend-on-Sea December 15 at 3 pm.

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1981-82 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	Fully taxed
130	120	Ass. Brit. Ind. Ord. ...	130xd	—	6.4	4.9	11.8	23.2
146	100	Ass. Brit. Ind. CULS. .	146xi	+ 1	10.0	6.8	—	—
75	59	*Airsprung Group*	59	—	6.1	10.3	6.7	11.6
51	33	Armitage & Rhodes......	43	—	4.3	10.0	4.8	8.4
254	187	Bardon Hill	254	+ 1	11.4	4.5	10.7	13.4
121	100	CCL 11pc Conv. Pref....	121	—	15.7	13.0	—	—
270	240	Cindico Group	258	—	17.8	6.8	10.4	11.7
104	60	Deborah Services	65	—	6.0	9.2	4.3	11.6
149	97	Frank Horsell	149	+ 1	7.9	5.3	5.3	5.7
83	39	*Frederick Parker*	66	—	6.4	9.7	3.3	6.4
78	44	George Blair	44	—	—	—	7.8	15.5
102	80	Ind. Precision Castings	80	− 1	7.3	9.1	10.3	12.9
128	100	Isis Conv. Pref.	129	+ 1	15.7	12.3	—	—
123	94	Jackson Group	121	—	7.5	6.2	3.7	7.7
151	108	James Burrough	151	—	9.6	6.4	11.0	12.3
334	177	Robert Jenkins	179	—	20.0	11.2	2.0	28.4
83	61	*Scruttons "A"*	76	—	5.7	7.5	9.9	11.9
222	121	Torday & Carlisle	121	—	11.4	5.4	5.4	9.3
44	21	Unilock Holdings	24	—	0.45	1.9	—	—
103	73	Walter Alexander	77	—	5.4	8.3	5.5	7.9
263	212	W. S. Yeates	251	—	14.5	5.8	6.8	13.1

Prices now available on Prestel page 48146.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brengreen	int.	0.45	Jan 14	0.4	—	0.8
Common Bros		Nil	—	Nil	1	5
Concentric		2.1	Jan 12	2.71	3.31	3.31
Hicking Pentecost	int	2	April 4	2	—	4
Metal Box	int	5.04	Jan 17	5.04	—	11.55
Prop Partnerships	int	2.75	Jan 10	2.5	—	5.6
Radio City‡		3.8	—	3.5	3.8	3.5
Tern-Consulate	int	Nil	—	0.7	—	2.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

UK COMPANY NEWS

Brengreen soars 51% in first half

INTERIM RESULTS of Brengreen (Holdings), showing pretax profits 51 per cent higher at £646,000, when compared with the same period last year, confirm the statement made in July by chairman Mr David Evans that the group had made a strong and encouraging start to the year.

Mr Evans says the group is advancing in all areas and that he is confident by the year end it will have achieved "record sales, record profits, record dividends and record earnings per share."

Sales for the first 28 weeks to October 9 rose from £12.37m to £14.65m and at the trading level there was a surplus of £758,000, compared with £552,000—the group's interests include industrial and commercial cleaning, finance leasing and rentals, travel agencies and tour operations.

Stated earnings per 10p share moved ahead to 1.61p (1.37p) and the net interim dividend is being stepped up from 0.4p to 0.45p—for the 1981/82 year a total of 0.8p was paid from pretax profits of £862,000.

The cleaning side continued to prosper on all fronts and the "prestigious Palace of Westminster contract" was one of many won by this division over the last six months.

The chairman says that the Southend and Eastbourne council contracts are contributing to profits and that since his last report the group had been successful in obtaining Chiltern's refuse collection contract which is valued at £3m over five years—the contract commenced earlier this month and will make a contribution to profits this year.

Evans reveals that the group has just been awarded the contract for refuse collection by Tandridge District council. This is valued at £2.35m over five years beginning next April.

The group has also been recommended by the London Borough of Bromley technical services committee for the award of their street cleansing contract valued at £670,000 a year which would also commence in April next year.

A further six tenders are being considered by various authorities which Mr Davis says underlines his view that this is an area "providing growth and excitement" for the group. He adds that Brengreen has won seven of the 12 contracts placed by local authorities.

Substantial demand for the group's overseas services is continuing and the travel and leasing divisions have continued satisfactorily. Mr Davis points out that although the travel division has not escaped the effect of the fall in retail trade, he feels that the increasing business house activity will ensure a future contribution to the group.

Pre-tax profits for the first half included a £267,000 (nil) share from associates and were struck after interest charges of £379,000 (£127,000) including loan stock interest.

Tax took £132,000 (£53,000) and after minorities, available profits were well ahead at £513,000, compared with £377,000.

After allowing for current cost adjustments pre-tax profits were £661,000 (£340,000) and on the same basis earnings per share totalled 1.65p (1.06p).

The group was formerly known as Empress Services (Holdings).

● comment

Cleaning up after other people and sweeping the streets should not be sneezed at as far as making money is concerned. Indeed, it is currently a major growth industry, as Brengreen has proved. Justifying its p/e of over 20, pre-tax profits are up by 52 per cent on a turnover increase of 18 per cent. Much of the advance came from the company's 50 per cent stake in a Middle Eastern operation which, among other ventures, has just done a one-off contract cleaning the new municipal palace in Baghdad. The other growth area, of course, is in winning contracts from local authorities to do their street cleaning and refuse collecting. So far, Brengreen has clinched seven out of the 12 contracts which have come up. At the moment, £1.2bn is spent by local authorities on cleaning and Brengreen has only £5m of the cake, so it sees great opportunities for growth. Other areas with potential are hospitals and schools. Borrowing is much higher than it was a year ago, mainly because of Mullionwood, the new leasing company, but the company is not considering another rights issue. Investors can confidently look forward to profits of £1.8m for the year and a final dividend increased to around 0.55p. On this basis, the yield is only 2.6 per cent, on a share price of 56p.

Property Partnerships over £0.4m

For the six months ended September 30 1982 Property Partnerships, property development and investment concern, increased its pre-tax profits from £347,000 to £407,000 after higher interest charges of £37,000, compared with £10,000.

With stated earnings per 25p share rising by 0.8p to 5.5p the net interim dividend is being raised from 2.5p to 2.75p—a final of 3.1p was paid previously.

Gross rental income from investment properties expanded from £271,000 to £342,000 and the sale of hotel goods and services at invoiced value was £1.2m, against £1.03m.

Operating profits rose to £444,000 (£357,000), being property investments £231,000 (£198,000) and hotels £213,000 (£159,000). Tax for the six months took £212,000 (£181,000).

At the annual meeting in July the chairman said rental income from the property investment portfolio had increased and that further growth would occur in the current year as well as in future years. He added that he felt "cautiously optimistic" about a general improvement in trading conditions in future months.

United Computer in the red after six months

A slide into pre-tax losses of £14,000 has been shown by United Computer and Technology Holdings for the six months to September 30 1982 compared with previous profits of £38,000 for the 10 months to March 31 1981.

The anticipated revenue for the year as a whole is expected to show an improvement on the previous period, say the directors. The reduced level at the interim stage reflects the dates on which income is received.

The directors also expect to be able to recommend a moderate increase in the dividend—in the last full period a net payment of 0.8p was made.

The company is a specialist investment company, with a portfolio in small listed and unlisted companies involved with computers, telecommunications and other areas of high technology. It was made public in June 1981.

Losses per 50p share were given as 0.6377p against earnings last time of 0.9625p.

Net asset value rose from 102p to 124p.

Pre-tax results were struck after reduced management expenses of £32,000 (£45,000). Tax for the period took £2,000 (£15,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Anderson Strathclyde, BPB Industry, B. Elliott, Hambros, C. E. Heath, Amos Hinton, Somic, "The Times" Veneer, R. Kelvin Watson.

Finals—C. H. Bailey, Burton, Yorkshire and Lancashire Investment Trust.

FUTURE DATES

Interims—

Birmingham Mint	Dec 6
British Building and Engineering Appliances	Dec 9
Capper-Neill	Nov 30
Erskine House Investments	Nov 25
Kleen-E-Ze	Dec 6
Meyer International	Dec 14
Peglar-Hattersley	Dec 8
Property & Reversionary Invest.	Nov 30
Security Centres	Nov 29
Wheeler's Restaurants	Nov 25

Finals—

Brown (Matthew)	Dec 6
Carr (John) (Doncaster)	Nov 29
Duple International	Nov 26
Elson and Robbins	Dec 16
English China Clays	Dec 16
Lake and Elliot	Dec 7
Sidlaw	Dec 8

Bejam aided by additional space

Mr John Apthorp, chairman of Bejam Group, told shareholders at the annual meeting that since the beginning of the current year, small volume increases were achieved in food sales from existing stores, plus a "very useful contribution" from new selling space in the September quarter, which is traditionally the quietest part of the trading year.

Appliance sales were almost 50 per cent up on the same period last year, he reported.

The final outcome for the first half is always very dependent on pre-Christmas trading. Ten new branches have been or will be opened in the current half year, although five of these will not be ready until December and will not, therefore, make a significant contribution to the results for this period, said Mr Apthorp.

BURNETT RIGHTS

The £33.3m rights issue launched by Burnett and Hallamshire has been taken up as to 96.35 per cent. The balance has been sold in the market and the net proceeds of 134.8p per share will be distributed pro rata among allottees, except that no payment will be made for less than £2.

MINING NEWS

Anglo United's U.S. coal plan

BY KENNETH MARSTON, MINING EDITOR

A MAJOR enlargement into a U.S. open-pit coal mining venture is proposed for Canada's Anglo United Development which for many years has been best known for its exploration activities in Ireland and its links with the Northgate Exploration group; the last-named recently sold its 35 per cent holding in Anglo United for U.S.$1.6m.

Anglo United is to increase its authorised capital to 100m shares of no par value from the existing 10m (of which 8.2m are issued) and to issue 33.39m of them to American Real Property (ARP) a Netherlands-Antilles corporation at a value of Can 70 cents (35p) per share.

This will be in consideration for the $27.7m (£14m) purchase from ARP of its OKAPI subsidiary which owns the U.S. Gowen anthracite mine near Hazelton in Pennsylvania. OKAPI also holds an option until end-1983 to acquire a lease on approximately 863 acres of adjoining coal land.

The plans, which will be put to a meeting of Anglo United shareholders in Toronto on December 13, also involve the private placement of up to an additional 20m treasury shares at 70 cents; the buyers are understood to be those who recently acquired the Northgate holding in Anglo United.

If the deal goes through Anglo United will be owned as to 53 per cent by ARP, 33 per cent by the private placees and 14 per cent by the existing shareholders.

After a temporary suspension, dealings were resumed in shares of Anglo United which were around 105 cents in Toronto yesterday. In London they closed at around 40p after having been 65p on Friday.

It is stated that the Gowen mine has estimated anthracite reserves, recoverable by strip methods, of 3.3m tons which would give a mining life of 17 years at an extraction rate of 191,000 tons a year.

It has been previously worked and has been re-equipped with new earth-moving plant. Meanwhile, sales negotiations are stated to be in progress with a marketing organisation.

Authorities approve Noranda gold deal

THE CANADIAN regulatory authorities have approved the terms of the deal whereby Noranda Mines, the country's leading natural resources group, has acquired an option to earn a 50 per cent interest in gold properties held by two junior exploration companies.

Noranda has already paid its junior partners, Golden Sceptre Resources and Goliath Gold Mines, C$750,000 (£375,000) in cash for exploration expenses, and is going ahead with the second part of the deal, which involves the subscription for new stock in the two companies.

Both shares have traded recently around the C$4 level, and Noranda has agreed to subscribe for 600,000 Golden Sceptre shares at a price of C$6 per share, and 400,000 Goliath at a similar price.

Further subscriptions, for another 100,000 shares in each company at a price of C$7, will be made in six months. Noranda also has options to acquire an additional 1.2m shares in each company at prices ranging between C$7.50 and C$9.50 a share.

Noranda has undertaken to complete a feasibility study within six months, and bring the properties into production at a rate of 1,000 tons of ore a day within two years. The junior partners are putting up C$2m towards the cost of the feasibility study and any further exploration over the next six months.

Drill cores from the properties, in the Hemlo district of north-western Quebec, have been re-assayed by independent laboratories. Noranda reported that these tests confirmed the results obtained by Golden Sceptre and Goliath.

Early exploration results indicated a deposit of 2.5m tons of ore grading an average of just under a quarter of an ounce, or about 7.5 grammes, of gold per ton. Drilling continues on the main gold-bearing zone.

The Hemlo area has attracted a great deal of attention in recent months as a result of exploration carried out mainly by smaller Canadian companies.

The senior groups have not been slow in seizing opportunities to take a look at some of this work, with Teck Corporation currently examining two deposits outlined by International Corona Resources, while Long Lac Mineral Exploration is pushing ahead with studies on a 1.8m-ton orebody with an average grade reported at 5.4 grammes of gold per ton.

Elsewhere, the Noranda-controlled Kerr Addison Mines plans to phase out its loss-making Agnew Lake uranium mine west of Sudbury, Ontario, over the next couple of months.

Agnew Lake has been a salvage leaching operation, both on surface and underground, since conventional mining ceased in early 1980. The process has become uneconomic owing to declining solution grades and weak uranium prices.

Meanwhile, Brenda Mines, another Noranda-controlled operation, reports a net loss for the first nine months of the year of C$10.6m, against profits for the corresponding period of last year of C$1m. Brenda is a low-grade open-pit copper and molybdenum producer in southern British Columbia.

The loss reflects low metal prices, which make the production of both copper and molybdenum unprofitable.

LONDON TRADED OPTIONS

November 22 Total Contracts 1,781 Calls 841 Puts 940

Option	Ex'cise price	Jan. Closing offer	Vol.	April Closing offer	Vol.	July Closing offer	Vol.	Equity Close
BP (c)	260	46	5	56	—	—	—	292p
BP (c)	280	30	10	40	—	—	—	"
BP (c)	300	15	27	26	1	36	—	"
BP (c)	330	6	53	16	—	26	—	"
BP (c)	360	3	10	9	—	13	—	"
BP (p)	260	3	—	5	10	—	—	"
BP (p)	280	10	2	14	22	—	—	"
BP (p)	300	23	2	30	1	36	—	"
BP (p)	330	44	30	50	—	56	—	"
BP (p)	360	74	—	78	10	78	—	"
CU (c)	130	14	2	17	—	25	10	128p
CU (c)	150	8	28	14	—	16	—	"
CU (c)	140	4	—	7	—	10	3	"
CU (p)	130	10	7	15	—	18	—	"
Cons. Gld (c)	420	30	10	42	2	53	—	411p
Cons. Gld (c)	450	15	—	27	5	40	—	"
Cons. Gld. (p)	550	5	2	—	—	—	—	"
Cons. Gld (p)	390	15	2	24	—	33	—	"
Ctlds. (c)	70	13	—	15	1	17	—	78p
Ctlds. (c)	80	5½	42	8	—	10	—	"
Ctlds. (p)	80	5½	27	9	—	12	—	"
GEC (c)	197	26	8	36	—	—	—	216p
GEC (c)	217	16	3	21	106	—	—	"
GEC (c)	220	—	—	—	—	32	5	"
GEC (c)	237	2	59	14	6	—	—	"
GEC (c)	240	—	—	—	—	28	10	"
GEC (c)	260	3½	16	11	1	12	—	"
GEC (p)	197	3	—	5	20	—	—	"
GEC (p)	217	14	244	17	5	—	—	"
GEC (p)	237	28	10	32	—	—	—	"
GEC (p)	260	48	2	52	98	67	—	"
Gr'd Met. (c)	260	46	1	49	—	—	—	"
Gr'd Met. (c)	280	27	5	30	—	35	—	301p
Gr'd Met. (c)	300	17	13	22	2	27	—	"
Gr'd Met. (c)	330	5	—	11	3	15	—	"
Gr'd Met. (p)	300	17	20	20	3	23	—	"
Gr'd Met. (p)	330	34	10	31	—	40	—	"
ICI (c)	260	88	—	96	2	—	—	342p
ICI (c)	300	48	—	56	1	64	—	"
ICI (c)	330	28	23	36	20	42	—	"
ICI (c)	360	12	7	18	—	22	—	"
ICI (p)	300	5	2	14	193	18	—	"
ICI (p)	330	15	5	24	10	32	—	"
ICI (p)	360	32	8	42	—	44	—	"
Lasmo (c)	330	4	—	32	15	47	—	"
Lasmo (c)	360	1	—	21	2	35	—	"
Lasmo (c)	390	1	1	11	11	25	—	"
Lasmo (p)	300	3	—	18	5	26	—	"
Lasmo (p)	330	18	6	40	6	55	1	"
Lasmo (p)	360	45	6	57	6	75	—	"
Lonrho (c)	60	27	5	29	—	—	—	86p
Lonrho (c)	80	6½	36	11	—	14	—	"
Lonrho (c)	90	½	—	5½	5	7½	—	"
Lonrho (c)	100	¼	—	2½	—	3½	6	"
Lonrho (p)	90	6	28	10	4	14	15	"
Lonrho (p)	100	16	4	17	—	21	5	"
P & O (p)	130	7	3	10	—	14	—	125p
		November		February		May		
Barclays (c)	360	15	5	40	2	52	—	373p
Barclays (c)	390	2	—	28	1	43	—	"
Barclays (c)	420	1½	—	13	3	25	—	"
Barclays (p)	360	3	10	12	—	20	—	"
Barclays (p)	390	22	3	30	—	45	—	"
Imperial (c)	93	27	2	30	2	32	—	117p
Imperial (c)	100	17	27	20	1	22	—	"
Imperial (c)	110	7	20	12	15	16	—	"
Imperial (c)	120	1	—	7	3	10	—	"
Imperial (p)	100	1	—	3	—	5	—	"
Imperial (p)	110	[illegible]	—	[illegible]	—	[illegible]	—	"
Imperial (p)	120	5	—	[illegible]	—	[illegible]	—	"
Land Sec. (c)	300	22	5	50	1	63	—	319p
Land Sec. (c)	240	22	1	30	1	39	—	259p
Land Sec. (c)	260	4	10	11	—	17	—	"
Land Sec. (c)	280	1½	—	6	—	11	—	"
Mks & Sp. (c)	220	17	20	26	5	31	—	231p
Mks & Sp. (c)	240	9	13	15	8	20	—	"
Mks & Sp. (c)	260	2	12	8	—	14	—	"
Mks & Sp. (p)	240	16	1	21	—	27	—	"
Shell (c)	420	[illegible]	7	[illegible]	—	49	—	410p
Shell (c)	390	[illegible]	[illegible]	[illegible]	—	[illegible]	—	"
Shell (p)	420	23	3	[illegible]	—	[illegible]	—	"
Racal (c)	420	117	5	192	—	—	—	592p
Racal (c)	460	137	11	152	—	170	—	"
Racal (c)	550	47	5	61	—	90	—	"
Racal (c)	600	4	1	42	1	68	9	"
Racal (c)	650	1	—	20	1	44	—	"
Racal (p)	600	12	4	32	—	45	—	"
RTZ (c)	420	17	9	45	—	53	—	434p
RTZ (c)	460	1	—	23	—	57	2	"
RTZ (c)	500	1	—	12	6	20	—	"
RTZ (p)	420	1	—	22	—	32	50	"
RTZ (p)	460	30	1	42	—	55	1	"
Vaal Rfs. (c)	70	7½	6	12	—	15½	—	$77
Vaal Rfs. (c)	60	1	—	5½	2	8	—	"
Vaal Rfs. (p)	60	14	4	2	—	3	—	"
Vaal Rfs. (p)	80	4	10	11	—	11½	—	"

C=Call P=Put

Companies and Markets **BIDS AND DEALS** **CONTRACTS**

Riley leisure bids £3.68m for two keep-fit companies

BY CHARLES BATCHELOR

Riley Leisure, the leading UK snooker hall operator and maker of snooker tables, is to make an agreed bid worth £3.68m for two keep-fit equipment companies, Powersport International and Lanivine.

Riley also plans to place £1.5m worth of preference shares with Equity Capital for Industry (ECI) to reduce group borrowings and finance further growth, it announced yesterday.

The proposed acquisition will allow Riley to expand into another area of the leisure sector with excellent growth prospects and will allow it to make use of Powersport's overseas contacts, Mr Alan Deal, executive chairman of Riley said.

Powersport and Lanivine made pre-tax profits of £730,000 in the year ended June 30 1982 on turnover of £2.06m. In 1981 the group made profits of £432,000 on turnover of £1.36m.

Powersport was established in 1972 by Mr Peter Lay, a former national coach with the British Amateur Athletics Board. Mr Lay and Mr David Reade, a former Welsh national weightlifter, set up Lanivine in the same year.

Powersport began exporting four years ago and foreign sales now account for 57 per cent of sales compared with export sales of less than 5 per cent at Riley.

"I have never found a company like it," said Mr Deal. "I think it is the best deal I have ever done."

Powersport has £300,000 in cash, leased assets worth £750,000, which Riley will sell off, and expects 1983 cashflow of £700,000.

Riley will pay £3.68m for the two companies in the form of £1.7m nominal of convertible redeemable unsecured loan stock 1984-87, £1.75m nominal of redeemable unsecured loan stock 1984-87 and £225,000 in cash or an allotment of new ordinary shares.

The loan stock will not carry the right to any interest nor be repayable by Riley for at least 12 months.

The convertible stock may be converted into ordinary shares between January 1 1984 and January 1 1986 inclusive at the rate of one ordinary share for every 105p nominal of stock.

On conversion 1,619,047 ordinary shares would fall to be issued, equivalent to about 12 per cent of the enlarged capital. The balance will be satisfied by a payment of £225,000 in cash or, if the company elects—as it at present intends—by an issue of new ordinary shares to Mr Reade. These would be placed in the market by stockbrokers Le Mare Martin and Co. to raise the cash equivalent.

Riley will also raise £1.5m, before expenses, by an issue at par of 7 per cent convertible cumulative redeemable preference shares to ECI.

Riley is currently making 35 full-size snooker tables a week compared with fewer than three a week in the 1978-79 year and it expects to make an estimated 5,000 small tables this year. It made net profits of £222,000 on turnover of £4.58m in the six months ended January 31 1982.

Riley's shares rose 1p to 114p yesterday.

Foseco Minsep sells drill bit maker to NL Ind.

THE SPECIALIST chemical manufacturer, Foseco Minsep, has sold its Drilling and Service Division which makes drilling bits for the oil industry for between £3m and £4m.

The subsidiary has been bought by NL Industries of the U.S., an oil services and specialty chemicals company with a turnover last year of $2.46bn.

Mr Steve Gregory, financial controller of NL Overseas Service Company, said yesterday NL had bought the Stonehouse, Gloucestershire, based drill bit maker for its high technology expertise in producing bits with man-made diamonds.

NL already has a natural diamond bit subsidiary, Hycalog in Houston, and Mr Gregory said the acquisition, which will keep its Drilling and Service name, was complementary to it.

"We are always looking for good companies in the oil service sector," Mr Gregory said.

Foseco Minsep believed Drilling and Service needed to develop a larger presence in the U.S. market and decided that selling to a large U.S. oil service company was the best way to achieve that.

VENTURE FOUNDERS BUYS 32½% STAKE IN KLEEN TECH

In a deal worth £150,000, Venture Founders Corporation has bought a 32 per cent holding in specialist industrial cleaning, maintenance and hygiene group, Kleen Tech International.

Commenting on the investment, Mr Eddie Ashby, Kleen's managing director, says the company is delighted to have the institutional backing of Venture, "which will help us to achieve the next phase in the development of our business."

He says that Kleen is aiming for a £10m turnover within the next three years.

Anglo Nordic still well short of victory

Anglo Nordic's bitterly contested bid for Braby Leslie yesterday still stood well short of success. The revised cash element of the offer of 72½p per ordinary share closed on Friday with acceptance on 36.09 per cent. With yesterday's acceptance on 1 per cent of the share offer this left Anglo with just over 37 per cent of the process engineering, aerospace and power equipment, packaging and civil engineering group.

The acceptances include the 29.99 per cent held by Hereward Securities, an associate of Anglo. Prior to the initial offer Hereward held 27.56 per cent.

The revised share offer of nine Anglo ordinary for every five Braby remains open until December 13.

Acceptances have also been received by Anglo, an industrial holding company, on 30,744 preference shares, representing 50.1 per cent of the total.

International offshoot for Fraser

House of Fraser is going to set up an international retailing services company with the Allied International Designers Group. The company will be known as House of Fraser (International) will advise internationally on such services as site and designing of stores, planning and buying of merchandise and staff training. It is also intended to franchise the names of House of Fraser (International) or The Army and Navy

AITKEN HUME

Newaygo Trading Company, a wholly-owned subsidiary of Aitken (English) Company, has placed 50,000 shares of Aitken Hume Holdings at 250p with certain of the proposed Middle East shareholders who have agreed to inject new equity capital into the group's banking subsidiary Aitken Hume.

Ferranti wins £107m orders

McDonnell Douglas F/A18 Hornet fitted with Ferranti navigation equipment

More orders for the advanced aircraft cockpit displays have been won by the navigation systems department of FERRANTI, to a total value of £107m.

COMED, a multifunction combined map and electronic display, is standard equipment on the McDonnell Douglas F/A-18 aircraft which has been selected by the U.S. Navy and the armed forces of Canada, Australia and Spain. Well over 500 COMEDS worth about £25m have been ordered for this project, which forms a part of the horizontal indicator in the aircraft. The U.S. Navy alone has indicated a requirement for 1346 F/A-18s and Ferranti is confident of further orders as the programme progresses.

COMED has also been selected for the Indian Air Force Jaguar aircraft. The first flight model flew for the first time at the end of October and the first production deliveries begin early next year. Some £8m worth of units have been ordered, with a further £2m in spares.

The navigation systems department also produces the rear cockpit moving map display and front cockpit repeater for the Tornado IDS version. Panavia has ordered £72m worth of these units so far. Ferranti has a contract from the Ministry of Defence for the development of a unit similar to the Tornado front cockpit display for the Harrier GR5 aircraft of the RAF. A similar display is also being supplied to the Buccaneer aircraft involved in the Nightbird project.

★

PRESS CONSTRUCTION has won a £500,000 contract for plumbing the prestigious Sheriff Court House being built at Gorbals Cross, Glasgow. Programmed for two years, the sub-contract entails the supply, installation and commissioning of all sanitary fitments, pipework and fittings for hot and cold water and waste services throughout the six-floor building, which has a plan area over 7,000 sq metres. Press construction was awarded the contract by Sir Robert McAlpine & Sons, main contractor for the Court House.

★

The Norwegian State Railways has awarded a contract for seven electric locomotives to ASEA with a value estimated at $11m (£6.6m). Delivery is scheduled to begin in late 1983.

★

TANKARD CARPETS has secured three contracts for bespoke carpeting totalling £500,000. Sitmar Lines of Monte Carlo have selected two of Tankard's Axminster qualities to be used in their cruise ships based in the U.S. At the Wales Gas head office in Cardiff, Tankard's Broadloom Wilton, with integral foam-back and antistatic treatment, has been specified. A Wilton carpet has been selected for the new Ismaili Centre in London.

Engines order for Leyland

LEYLAND PARTS has won a £4m order from Somacom for the supply of 1,600 98 Series engines to be manufactured at the Leyland Trucks plant at Bathgate, Scotland. The order, for Algeria, is for 4-cylinder engines, some to be supplied fully built up and the balance as part (short) engines. The order also covers loose engine components and axle parts. Winning the order will mean an immediate restoration of a five-day week at Bathgate Engines, with five-day working continuing until completion of the order at the end of March.

★

Local Authorities ordered £700,000 worth of TUNSTALL TELECOM elderly persons' emergency communications equipment during October. The company's largest single order came from Birmingham where a £238,000 extension to the City's Piper Control network will provide 850 dwellings with 24-hour protection.

£3.8m orders for Miller

MILLER CONSTRUCTION, part of the Edinburgh-based Miller Group, has won four contracts worth over £3.85m. These include two contracts for Glasgow District Council: Rehabilitation of Cottar Street, Glasgow. The contract value is in excess of £600,000. Work has started and the contract period is 20 weeks. The second contract is for improvement and repairs for a number of houses in the Priesthill area of Glasgow. The contract value is in excess of £750,000 and the contract period is 44 weeks. Work has started.

The first phase of a warehousing development at Eastfield Industrial Estate, Glenrothes, for about 44,000 sq ft valued in excess of £700,000. Phase 1 is part of a total development of some 200,000 sq ft.

Miller Development, in association with Glenrothes Development Corporation, has pioneered this project. The development of light industrial warehousing is of flexible design, suited for sub-division into smaller units (multiples of 4,000 sq ft) and will be used to supplement the stock of units held by Glenrothes Development Corporation. Work has started.

Two contracts from Hanover (Scotland) Housing Association for sheltered housing total about £1.9m. One is for 40 flats and warden's flat in Hawick valued at around £1m. Work will commence before the end of this year, and the contract period is 90 weeks. The second contract is for 34 sheltered housing flats, Roseburn Terrace, Edinburgh and is valued at about £800,000. Site work will commence this month with a contract period of 78 weeks.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Dec.		Mar.		Jun.		
D.FL C	F.275	—	—	10	5.50	2	6.50	F.277.50
D.FL C	F.280	—	—	10	3.30	—	—	"
D.FL C	F.285	—	—	55	1.40	—	—	"
D.FL P	F.275	—	—	12	6.40	9	9.40	"
		Feb.		May		Aug.		
GOLD C	$400	11	40	—	—	—	—	$411.25
GOLD C	$425	45	25 B	7	44	—	—	"
GOLD C	$450	106	12	4	33 A	1	41	"
GOLD C	$475	5	9.10	5	24	—	—	"
GOLD C	$500	50	7	—	—	—	—	"
GOLD C	$550	65	3	70	9.50	—	—	"
GOLD P	$325	25	1.70	—	—	—	—	"
GOLD P	$360	—	—	15	10	—	—	"
GOLD P	$375	15	10	—	—	—	—	"
GOLD P	$400	61	17	—	—	5	52	"
GOLD P	$425	3	32	—	—	—	—	"
12¾ NL 81 87-91								
C	F.117.50	28	6.50	—	—	200	5	F.123.60
C	F.120	102	4.50	200	5	—	—	"
C	F.122.50	19	2.60	200	3.20	—	—	"
C	F.125	291	1.50	10	1.70	—	—	"
P	F.120	309	0.40	—	—	—	—	"
P	F.126	315	2	—	—	—	—	"
10¾ NL 80 86-95								
C	F.110	110	260	—	—	100	6.30	F.111.80
P	F.110	10	1	—	—	—	—	
11¼ NL 82 88-93								
C	F.107.50	7	8	10	3.60	—	—	F.112.80
C	F.110	154	2.80	—	—	—	—	"
C	F.112.50	122	1.70	8	2.30	—	—	"
P	F.110	10	0.80	—	—	—	—	"
10 NL 82 86-89								
C	F.102.50	146	3.40	—	—	—	—	F.105.50
10½ NL 82 86-89								
C	F.107.50	30	2	11	2.50	—	—	F.107.60
10 NL 82-11 86-89								
C	F.102.50	10	6.10	—	—	—	—	F.108.40
C	F.105	20	3.70	—	—	—	—	"
C	F.107.50	26	2	—	—	—	—	"
		Jan.		April		July		
ABN C	F.280	—	—	15	20	—	—	F.281
ABN P	F.260	20	4.50	—	—	—	—	"
AKZO C	F.27.50	56	5	17	3.40	—	—	F.30.30
AKZO C	F.30	166	1.40	85	2.20	—	—	"
AMRO C	F.50	—	—	30	2	24	2.20	F.43.60
AMRO C	F.55	16	0.50	—	—	—	—	"
GIST C	F.100	63	2.50	—	—	—	—	F.104.50
GIST C	F.110	100	3	—	—	—	—	"
GIST P	F.110	100	6.50 B	—	—	—	—	"
HEIN C	F.80	—	—	50	14.50	—	—	F.90
HEIN C	F.85	—	—	—	—	50	12	"
HEIN C	F.90	76	5.80	—	—	—	—	"
HEIN P	F.75	—	—	60	1.60	—	—	"
KLM C	F.90	22	25 A	—	—	—	—	F.111.50
KLM C	F.100	60	16	33	19.20	—	—	"
KLM C	F.110	262	9.20	—	—	—	—	"
KLM C	F.130	434	5	—	—	—	—	"
KLM P	F.90	73	1.50	35	3.40	—	—	"
KLM P	F.100	56	3	20	3.80	—	—	"
KLM P	F.110	23	6.50	—	—	—	—	"
NEDL C	F.140	20	0.80	—	—	—	—	F.111
NEDL P	F.100	—	—	24	2.80	—	—	"
NATN C	F.116	20	4.80	13	6.50	—	—	F.117.60
PHIL C	F.25	176	2.80	38	5.20	12	3.50	F.27.50
PHIL C	F.27.50	504	1.30	507	2.20	66	2.50	"
PHIL C	F.30	236	0.70	434	1.20 A	52	1.60	"
PHIL P	F.25	53	0.40	212	0.60	—	—	"
PHIL P	F.27.50	179	1.20	44	1.40	—	—	"
RD C	F.80	30	10.10	—	—	—	—	F.89.60
RD C	F.90	160	4	10	2	15	6.80	"
RD C	F.100	150	1.10	66	3	6	3.60	"
RD P	F.80	20	0.40	100	1.10	—	—	"
RD P	F.90	300	3.10	101	4.30	11	5.20	"
RD P	F.100	30	10.50	2	10.70	—	—	"
UNIL C	F.200	46	7.50	1	9	—	—	F.198
UNIL C	F.220	75	2.30 B	30	5.50	—	—	"
UNIL P	F.180	33	2.90	3	5	—	—	"
		Feb.		May		Aug.		
BASF C	DM.110	—	—	20	11	—	—	DM115
VW C	DM.130	—	—	20	13	—	—	DM134
VW C	DM.140	20	4.80	10	8	—	—	"

TOTAL VOLUME IN CONTRACTS 9,128

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Hargrave Secs. Ltd.	9 %
Amro Bank	9 %	Heritable & Gen. Trust	9 %
Henry Ansbacher	9 %	■ Hill Samuel §	9 %
Arbuthnot Latham	9 %	C. Hoare & Co. †	9 %
Associates Cap. Corp.	10 %	Hongkong & Shanghai	9 %
Banco de Bilbao	9 %	Kingsnorth Trust Ltd.	11 %
Bank Hapoalim BM	9 %	Knowsley & Co. Ltd.	9½%
BCCI	9 %	Lloyds Bank	9 %
Bank of Ireland	9 %	Mallinhall Limited	9 %
Bank Leumi (UK) plc	9 %	Edward Manson & Co.	10½%
Bank of Cyprus	9 %	Midland Bank	9 %
Bank Street Sec. Ltd.	10½%	■ Samuel Montagu	9 %
Banque Belge Ltd.	9 %	■ Morgan Grenfell	9 %
Banque du Rhone	9½%	National Westminster	9 %
Barclays Bank	9 %	Norwich General Trust	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	10 %	Roxburghe Guarantee	9½%
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9½%	Slavenburg's Bank	9 %
Canada Perm't Trust	9½%	Standard Chartered ¶	9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cavendish Gty Tst Ltd.	9½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	TCB	9 %
Cedar Holdings	9 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9 %	Volkskas Intl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings ¶	9 %	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	10 %	Wintrust Secs. Ltd.	9½%
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9½%		
Co-operative Bank *	9 %		
Corinthian Secs.	9 %		
The Cyprus Popular Bk.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%. 1-month 5.75%. Short-term £8,000/12-months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6¼%, £50,000 and over 7%.
‡ Call deposits £1,000 and over 5½%.
¶ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

COMMODITIES AND AGRICULTURE

Indonesia's coffee crop falling

INDONESIA's coffee crop this season is expected to be 300,000 bags (of 60 kilos each) lower than last year's production of 5.87m bags. The main reasons for the fall in output were widespread drought and the abandonment of some coffee land because of the low prices the crop was fetching.

Following a campaign to raise sales to non-International Coffee Organisation quota countries, Indonesia expects exports to reach 3.76m bags but in spite of this increase in exports, year-end stocks are expected to be about 2.3m bags, 400 per cent up on 1980-81 stocks.

Projections for the 1983-84 crop are put at about 5.6m bags.

● CATCH LIMITS for vessels in the West of Scotland herring fishery have been increased by 25 per cent because of lower-than-expected hauls in the first fortnight of the season, which opened on November 6. New fortnightly quotas range from 108 tonnes to 150 tonnes depending on the size of the vessel.

● MILK production from farms in England and Wales totalled 1,015.9m litres last month compared with 967.1 in October 1981, according to the Milk Marketing Board. Liquid consumption was 1.3 per cent down from last year at 528.3m litres leaving milk for manufacture at 487.6m, up 12.9 per cent.

● TEA production in Iran is increasing, with more than 32,000 hectares of land under tea cultivation, according to figures released in Tehran. In the year to the end of last March, 36,000 tonnes—about half Iranian consumption—was produced. Iran imports about 20,000 tonnes of tea annually, mainly from India and Sri Lanka.

● INCO of Canada is laying off 2,220 white collar workers at its Ontario division, who have been on half pay since production was shut down in June. The workers will return to their jobs when production resumes in April, the company said.

Mixed response to £ fall

BY JOHN EDWARDS, COMMODITIES EDITOR

THE FURTHER drop in the value of sterling helped boost coffee, natural rubber and sugar prices in London markets yesterday. But the response on the London Metal Exchange was surprisingly little, with copper values, for example, hardly changed.

On the "soft" (non-metal) markets, coffee surged to new 29-month highs. The January position of the London robusta futures market climbed by £39 to £1,696.5 a tonne.

On the natural rubber market, the London No 1 R.S.S. spot price gained 1.25p to 49.5p a kilo while the London daily price for raw sugar was marked up by £5 to £108 a tonne. There were similar gains on the futures markets. Cocoa, however, lost early gains, to close only marginally higher.

On the London Metal Exchange neither the weaker trend in sterling, or the U.S. interest rate cut announced by leading banks, made much impact. There was some surprise that gold failed to react to the interest rate cut and instead lost ground in the afternoon to close $10.5 lower at $408 an ounce.

As expected, copper stocks in the LME warehouses rose again last week increasing by 7,950 tonnes to a total of 204,950 tonnes—the highest level since June 1979. Tin stocks also rose strongly by 1,135 to 35,570 tonnes and LME silver holdings increased by 1,350,000 to 34,030,000 ozs. Lead stocks were up by 375 to 123,500 tonnes, zinc by 25 to 85,150 and nickel by six to 3,732 tonnes. However aluminium stocks fell by 2,400 to 219,200 tonnes.

UK probes Ivory Coast cocoa

BY PETER BLACKBURN IN ABIDJAN

BRITISH chocolate manufacturers are considering increasing cocoa imports from the Ivory Coast, the world's largest producer. A delegation in Abidjan this month held four days of preliminary talks with the Ivorian government concerning ways of improving the quality of Ivorian cocoa. A two-hour meeting with President Boigny indicated the importance attached by the Ivory Coast to the visit.

Mr Paul Williamson of Cadbury Schweppes leading the delegation said that the response of the Ivorian government was "extremely positive" and that the delegation had been offered "full co-operation."

"We are concerned about the falling production of our main suppliers, Ghana and Nigeria. Their share of the world market has fallen from 50 to 25 per cent and there is no sign of the trend stopping," he said. "In Ghana output will not rise until the Ghanaian farmer is paid in real money which he can use in the shops. It is a general economic, not a cocoa, problem."

British chocolate manufacturers were obliged to look for alternative supplies, he explained. Neighbouring Ivory Coast has similar cocoa and is nearer than other alternative suppliers such as Brazil or Malaysia. Another factor is that no import duties are payable as the Ivory Coast is a member of the Lome Convention, the trade and aid agreement linking the EEC with African, Caribbean and Pacific developing countries.

Imports of Ivorian cocoa have been "relatively modest" because it does not give the mild and milky flavour favoured by British chocolate eaters. The UK imports 10,000 tonnes of Ivorian cocoa (mainly for re-export) compared with over 40,000 tonnes from Nigeria and 30,000 tonnes from Ghana. West African cocoa represents about 80 per cent of total UK imports.

Mr Williamson described the quality gap as not that great, and added that a team of British scientists is currently carrying out genetic, soil, climatic and processing tests at the Divo Cocoa Research Station. Their report should be completed early next year after which more detailed discussions are due to be held.

Farm support urged

BY JAMES BUXTON IN ROME

FARMERS in Third World countries must be offered incentives in the form of remunerative prices to enable them to produce more food, Mr Edouard Saouma, Director General of the UN Food and Agriculture Organisation, said in Rome yesterday.

The call for price incentives to farmers marks a change of emphasis in FAO's stance on Third World food problems, which it has hitherto tended to attribute mainly to the failings of the industrial countries.

An increasing number of aid agencies, notably the World Bank, has lately concluded that a serious brake on food production in developing countries, especially in Africa, consists of the large state marketing corporations, whose primary objective has been to procure food at cheap prices for urban populations, who are considered politically more important than their rural counterparts.

EEC rejects feed wheat subsidy

BRUSSELS — The Common Market Commission has ruled out as impracticable the introduction of an incorporation premium to divert more wheat into animal feed during the current campaign, Community officials said here, reports Reuter.

The Commission has been under pressure to introduce the premium because of this season's record wheat crop, estimated at 55m tonnes, which will increase the burden of subsidised exports.

But the officials said studies by Commission cereals experts had failed to produce a system under which the premium could be paid to cover only extra incorporations of wheat. Extending it to all wheat used in feed was regarded as too expensive.

Wheat sales into Community intervention stores in the current campaign have reached 5.7m tonnes and are still rising.

Wheat exports are currently running at 4.8m tonnes in grain, 820,000 tonnes wheat equivalent in flour and 400,000 tonnes in food aid, officials said.

Richard Mooney writes: A leading campaigner for the use of more surplus EEC grain in animal feed has been the UK Agricultural Supply Trade Association (Ukasta) which earlier this month published a discussion paper urging the EEC Commission to give "serious consideration" to the idea of an incorporation premium.

But Ukasta's director general, Mr Vaughan Willshaw, said yesterday he was not disappointed by the news from Brussels. "We were not arguing for an immediate change in the system," he said. "It has always been our view that an incorporation premium should be announced in good time before the beginning of the season so that necessary arrangements could be made within the feed trade."

POLISH AGRICULTURE

Shift to private sector

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S private farmers, who hold some 80 per cent of the land, continue to be interested in expanding their holdings and the structure of land sales by the state has shifted markedly from the state to the private sector.

Fears of collectivisation have receded in spite of the imposition of martial law almost a year ago and a sizeable proportion of farmers see a future for themselves.

During the first half of this year, 64,000 farmers applied in the co-operative bank to buy 153,000 hectares of land from the state reserve, on top of 43,000 outstanding applications for nearly 100,000 hectares already with the bank on January 1.

Studies have shown that 17 per cent of farmers want to expand their land holding up till 1984. In spite of the drop in the animal herd following the fall in imports of U.S. grain and continuing shortages of machinery and equipment.

The latest figures show that farmers, both private and state, bought 143,000 hectares in the first six months of this year—twice as much as in the same period last year.

Only 8 per cent of this land went to the state sector while 92 per cent went to private farmers. There were 2.9m private farm holdings in Poland at the end of 1981.

This was in sharp contrast to the mid-70s when the authorities were quietly trying to squeeze private farmers. In 1975 only 5 per cent of the 307,000 hectares sold that year went to private farmers while 90 per cent went to the state sector.

Meanwhile, the Polish Government has approved the ministry of agriculture's grain and feed concentrates import target for the coming year of 4.7m tonnes, *Trybuna Ludu*, the party newspaper has reported.

This means that the Government is committed to providing the hard currency for purchases if talks on obtaining supplier grain credits fail.

It is still unclear how much grain the Soviet Union will be able to provide. This year the Soviets have sold Poland 300,000 tonnes of grain.

In the past Poland's grain imports have gone as high as 8m tonnes a year, with supplies coming on credit from the U.S., Canada and France.

But this year there is no sign that the U.S. will resume crediting of Polish grain purchases, talks with France on fresh credits have faltered and Canada still has to take a decision on providing further loans.

Trybuna Ludu says "the issue now is for the government's cash till to be opened quickly."

According to the agriculture ministry a drop of 300,000 tonnes in Poland's meat production next year is now inevitable as farming here adjusts to the lower import levels.

The 4.7m tonnes grain imports are essential if the situation is not to deteriorate further.

Cotton output growth forecast

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

IF UN objectives are attained, world cotton production could rise by just over 40 per cent by 1990 compared with average production in the period 1975-79. Even if a slightly lower, or "medium," growth rate were attained, output would still rise by almost a quarter.

These predictions were made by Mr Hans Koedam, economic director for the International Institute for Cotton, at the Institute's general assembly in Cairo.

Looking further ahead to the end of the century, he forecast that production would almost double on the UN criterion and even on the lower "medium" growth forecast it would rise by 70 per cent.

Mr Koedam stated that such rises would come about because of greater productivity. Output had gone up by over a third between the mid-sixties and now although only 3.2 per cent more land had been allocated to cotton.

Furthermore, there had been strong production rises in the more advanced cotton-growing countries, such as Australia, Israel, South Africa and the U.S. Although these countries produce a substantial surplus of food and feed commodities they did not need to reduce the arable land allocated to cotton.

Even the Soviet Union, whose performance in most agricultural crops had been pretty lamentable, had expanded cotton production gradually but steadily over the last 15 years — so much so that it has announced plans to enlarge the cotton acreage in line with the increase in irrigated land in the cotton-growing areas.

Mr Koedam stated that cotton was particularly important for many developing countries because of its role as an export earner. Out of a survey of 20 of them it was the most important export revenue earner for nine and the second most important for another nine.

Even in the Soviet Union it was the most important agricultural export earner.

PRICE CHANGES

In tonnes unless stated otherwise	Nov. 22 1982	+ or −	Month ago
Metals			
Aluminium	£810/815		£815/810
Free Mkt	$955/965		$960/980
Copper			
Cash h grade	£867.5	+0.75	£875
3 mths	£904.25	+5	£873.25
Cash Cathode	£853.25	+2.75	£880
3 mths	£874.25	+2.5	£901.5
Gold troy oz	$408.5	−10.5	$418.5
Lead Cash	£279.525	+1.875	£286.75
3 mths	£289.375	+1.5	£298.25
Nickel	£4135.5		£4133.5
Free mkt	151/181c		180/210c
Platinum troy oz	£260		£260
Free mkt	£222.25	−0.55	£208.75
Quicksilver	$355/365		$365/375
Silver troy oz	604.70p	+3.55	597.90p
3 mths	617.60p	+2.3	610.80p
Tin Cash	£7277.5	+15	£7454
3 mths	£7285.5	+6	£7245.5
Tungsten	$102.59		$104.91
Wolfram 22.04 lb	$95/90		$94/98
Zinc Cash	£435.5	+1	£434.5
3 mths	£439.5	+1.875	£434.25
Producers	$800/850		$800/850

	Nov. 22 1982	+ or −	Month ago
Oils			
Coconut (Phil)	$485w	−5	$415
Groundnut	‡		$450
Linseed Crude	£281		£290
Palm Malayan	$382.5x	−2.5	$355
Seeds			
Copra Philip	$285y	+5	$280
Soyabean (U.S.)	$240.5x	+1.7	$216.5
Grains			
Barley Fut. Jan	£112.15	−0.15	£111.15
Maize	£140.00x		£136.50
Wheat Fut. Jan	£117.00	+0.1	£115.95
No.2 Hard Wint	‡		‡
Other commodities			
Cocoa ship't*	£1058	+8	£964
Future March	£1005.5	+1.5	£958.5
Coffee Ft Jan	£1696.5	+39	£1442
Cotton A Index	69.05c		69.75c
Gas Oil Dec	$281.25	−2	$311
Rubber (kilo)	49.5p	+1.25	49p
Sugar (Raw)	£108y	+5	£93
Woolt'ps 64s	411p kilo		390kilo

‡ Unquoted. x Dec. w Jan. y Nov-Dec. † Per 76-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	31.00-31.25	
Iranian Light	29.40	−0.15
Arabian Heavy	29.00	−0.37
North Sea (Forties)	32.70-32.80	−0.15
African Bonny L'ht	35.65	
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	310-312	−0.5
Gas oil	287-288	−1
Heavy fuel oil	158-161	+2.0

GAS OIL FUTURES

Strength in physicals offset at the opening the weakness presaged by the New York close. However, the highs of morning, but later fell sharply and then bounced back in line with New York, reports Premier Man.

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Nov	288.00		1.50 288.00
Dec	281.25	−2.00	283.50-83.00
Jan	280.50	−1.50	284.00-80.00
Feb	280.50	−1.50	280.00-78.75
March	278.00	−1.00	280.00-78.50
April	271.50	−1.50	—
May	272.00	−1.25	—
June	268.50	−1.50	—
July	268.50		—

Turnover: 3,740 (2,652) lots of 100 tonnes.

GOLD MARKETS

Gold fell $10½ to $407¼-408¼ in the London bullion market. It opened at $412-413, and was fixed at $413.40 in the morning and $410.50 in the afternoon. The metal touched a peak of $413¼-414 and a low of $406¼-407¼.

In Paris the 12½ kilo gold bar was fixed at FFr 94,300 per kilo ($409.42 per ounce) in the afternoon, compared with FFr 94,300 ($409.64) in the morning, and FFr 96,700 ($417.55) Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,730 per kilo ($414.01 per ounce) against DM 34,225 ($415.02), and closed at $407-408¼, compared with $417-418¼.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $413 per ounce.

Zurich gold finished at $407-410, against $417-420.

LONDON FUTURES

Month	Yest'rday's close	+ or −	Business Done
	$ per troy ounce		
November	409.50-9.40	−8.60	414.70-07.80
December	412.60-12.40	[illegible]	[illegible]
January	415.50-5.60	[illegible]	415.00-10.20
February	418.10-18.20	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
May	424.00-5.00	[illegible]	[illegible]

Turnover: 712 (1,165) lots of 100 troy ounces.

Gold Bullion (fine ounce)

	Nov. 22	Nov. 19
Close	$407¼-408¼ (£255¼-256)	$418-419 (£257¼-258¼)
Opening	$412-413 (£258¼-259¼)	$417-418 (£258-258½)
Morning fixing	$413.40 (£259.437)	$418.60 (£258.776)
Afternoon fixing	$410.50 (£257.447)	$417.60 (£257.699)

Gold Coins Nov. 22

Krugrand	$421-422 (£263½-264½)	King Sov	$96-97¼ (£60¼-61)
½ Krug	$216½-217½ (£135½-136¼)	Victoria Sov	$96-97½ (£60¼-61¼)
¼ Krug	$110¼-111¼ (£69-69¾)	French 20s	$80-96 (£50¼-60¼)
1/10 Krug	$45-46 (£28¼-28¾)	50 pesos Mex	$492-494 (£308¼-309¼)
Mapleleaf	$421-423 (£263¼-265¼)	100 Cor. Aust	$398-400 (£249½-250¼)
New Sov	$96-98 (£60½-61¾)	$20 Eagles	$460-470 (£288¼-294¼)
½ New Sov	$57-59 (£35¾-37)		

EUROPEAN MARKETS

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Nov 236.50, Dec 234.50, Jan 235.50, Feb 238.50, March 240, April 241.50, May 243, June 244.50, July 245.50, Aug 245.50, Oct 237, Nov 237 sellers. Argentine, June 229, July 238 sellers. Soyameal—(U.S. $ per tonne): 44 per cent April/Sept 218 traded; afloat 220, Nov 217.50, Dec 220, Jan 221, Jan/March 222, April/Sept 226 sellers. Brazil Pellets, afloat 226, Nov 226, Dec 228, Jan/March 238, April/Sept 226 sellers.

ROTTERDAM, November 22. Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13 per cent, Dec 183, Jan 187. U.S. No. Two Red Winter, Nov 155, Dec 157, Jan 159. U.S. No. Three Amber Durum, Nov 20/Dec 10 176, Dec 179, April/May 183, June 184. U.S. No. Two Northern Spring 14 per cent, mid-Nov/mid-Dec 176.25, Dec 177, Jan 182, Feb 185, March 187, April/May 174.50, Jan 174. Canadian Western Red Spring, Nov 20/Dec 10 194, April/May 204.

Maize—(U.S. $ per tonne): U.S. No. Three Yellow, afloat oil Ghent 122, Nov 121, Dec 119, Jan 119, Feb 120, March 121, Jan/March 120, April/June 121, July/Sept 125, Oct/Dec 126 sellers.

Sugar—(FFr per tonne): March 1675/1679, May 1740/1742, July 1770/1775, Aug 1823/1827, Oct 1860/1885, Nov 1880/1890, Dec 1930/1950, March 2010/2040. Sales at call: 4.

PARIS, November 22. Cocoa—(FFr per 100 kilos): Dec 1141.50-1140, March 1191-1164, May 1205-1220, July 1235-1245, Sept 1260, Dec 1305-1320, March 1340-1360. Sales at call: 0.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were little changed on the London Metal Exchange. Copper touched £907, reflecting sizeable trade buying coupled with the weakness of sterling against the dollar, but eased back to close at £904.75. Persistent buffer stock support held tin around the £7,260 level. Lead was finally £289.75, zinc £436.5, aluminium £617.25 and nickel £2,137.5.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
HighGrade	£	£	£	£
Cash	867-8	+.75	867-8	+.75
3 months	904-.5	+1	904-.5	+1.25
Settlem't	868	+1	—	
Cathodes				
Cash	851-2	+.25	853.5	+2.75
3 months	873-.4	+2	874-.5	+2.5
Settlem't	852	+1	—	
U.S. Prod.	—		*72-75	

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £907, 6.5, 5, 5.5, 6, 4.5, 4. Cathodes: Cash £852; three months £873, 73.5. Kerb: Higher Grade: Three months £904, 3.5, 4, 4.5. Afternoon: Higher Grade: Three months £904, 4.5, 5, 5.5, 4.5, 4. Cathodes: Three months £873.5. Kerb: Higher Grade: Three months £903, 3.5, 4, 4.5, 5. Turnover: 21,925 tonnes.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	7270-5	+57.5	7285-90	+15
3 months	7275-85	+35	7291-95	+11
Settlem't	7275	+50	—	
Standard				
Cash	7270-5	+57.5	7275-80	+18
3 months	7275-80	+47.5	7282-5	+8
Settlem't	7275	+50	—	
Straits E.	$29.15		—	
New York	—			

Tin—Morning: Standard: ash £7,270; three months £7,300, 7,295, 7,305, 7,300, 7,280. Kerb: Standard: Three months £7,285, 90. Afternoon: Standard: Three months £7,280, 75, 80, 85. Kerb: Standard: Three months £7,280. Turnover: 1,340 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	279.75-80	+.875	279.5-75	+1.87
3 months	289.75-90	+.5	289-.5	+1.0
Settlem't	280	−.5	—	
U.S. Spot	—		*25 26	

Lead—Morning: Cash £279.5; three months £290, 89.5, 90, 89.75. Kerb: Three months £289.75, 90. Afternoon: Three months £289.75, 89.5, 89.75. Kerb: Three months £289.5, 90, 89.5. Turnover: 6,650 tonnes.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	435-.5	+1	435-.6	+.5
3 months	430.5-40	+2.25	439-40	+1.87
Settlem't	436	+1	—	
Primw'ts	—		*38.0-42.75	

Zinc—Morning: Three months £440, 39, 38.5, 39, 39.5. Kerb: Three months £440, £440. Afternoon: Three months £440, 39, 39.5. Kerb: Three months £439.d. *Turnover*: 4,000 tonnes.

ALUMINIUM

Aluminium	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	603-.5	+6.75	601.5-2.5	+4.0
3 months	620-.5	+7	616.5-19	+3.5

Aluminium—Morning: Three months £620.5, 21, 20.5, 20, 19.5, 20. Kerb: Three months £620, 19.5, 19. Afternoon: Three months £620, 12, 19.5, 19. Kerb: Three months £619, 12.5, 18, 17.5, 17, 17.5. Turnover: 21,825 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	2087-90	+8	2082-7	−.5
3 months	2131-3	+5.0	2125-9	−.5

Nickel—Morning: Three months £2,130, 33, 30, 28, 20, 31. Kerb: Three months £2,130. Afternoon: Three months £2,130. Kerb: Three months £2,130, 35, 40. Turnover: 246 tonnes.

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 3.6p an ounce lower for spot delivery in the London bullion market yesterday at 604.70p. U.S. cent equivalents of the fixing levels were: spot 965c, down 20c; three-month 985.0c, down 18.9c; six-month 1010.45c, down 19.1c; and 12-month 1051.57, down 22c. The metal opened at 611-613p (973-977c) and closed at 598-600p (951-955c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	604.70p	−3.55	598.25p	−11.2
3 months	617.60p	−2.30	611.50p	−11.5
6 months	630.40p	−2.05	—	
12 months	657.15p	−2.45	—	

LME—Turnover 143 (188) lots of 10,000 ozs. Morning: Three months 618.0, 18.0, 17.0, 16.5, 16.4, 16.2, 18.0. Kerb: Three months 616.0, 16.5, 17.0, 16.5, 15.5, 16.6, 11.5, 11.4, 11.1. Kerb: Three months 611.0, 12.0, 12.5, 13.0, 12.5.

COCOA

Futures opened sharply higher to reflect the further fall in sterling as commission house short-covering continued. Prices then gradually eased as active conditions as trade houses hedged Ghana and Brazilian sales and as jobber took profits. Manufacturers, however, were not prepared to follow the higher prices, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Dec	1008-1009	+7.0	1017-997
March	1029-1030	+5.0	1042-1020
May	1021-1022	+3.0	1040-21
July	1056-1057	+3.0	1070-56
Sept	1077-1078	−1.0	1088-74
Dec	1097-1098	+3.0	1115-1100
March	[illegible]	[illegible]	[illegible]

Sales: 5,417 (4,968) lots of 10 tonnes. ICCO—Daily prices for Nov 22: 70.96 (72.32). Indicator prices for Nov 23: 70.34 (69.94).

COFFEE

Fresh contract highs were again established across the board, reports Drexel Burnham Lambert. A sharp decline in sterling prompted opening gains of around £40 before prices retraced in light volume. During the afternoon commission house buying returned values to the highs.

COFFEE	Yest'day's Close	+ or −	Business Done
Nov	1737-50	+56.0	1740-25
January	1695-96	+39.0	1700-77
March	1594-07	+49.0	1598-75
May	1486-87	+53.0	1488-57
July	1413-14	+21.0	1414-90
Sept	1360-65	+29.0	1369-45
Nov	1310-39	+57.0	1316-05

Sales: 5,587 (6,857) lots of 5 tonnes. ICO Indicator price for Nov 10 (U.S. cents per pound): Comp daily 1979 131.50 (130.73); 15-day average 128.77 (128.56).

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yest'rd'ys close	+ or −
Nov	115.00	−0.30	110.60	−0.20
Jan	117.00	−0.10	112.15	−0.15
Mar	119.45	−0.05	114.70	−0.25
May	129.25	−0.10	117.50	−0.10
July	125.05	−0.05	—	—
Sep	112.80	—	107.55	—

Business done—Wheat: Nov 115.75-5.00, Jan 117.20-7.00, March 119.60-9.45, May 122.30-2.25, July and Sept untraded. Sales: 91 lots of 100 tonnes. Barley: Nov 111.20-0.70, Jan 112.35-2.15, March 115.00-4.70, May 117.50 only, Sept untraded. Sales: 53 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent, Nov 121, Dec 121.50, Jan 123.75 transhipment East Coast sellers. English Feed fob, Dec 121, Jan/March 123.25, April/June 123 sellers East Coast. Maize: French Dec 140, Jan 142.50 transhipment East Coast sellers. S. African White/Yellow, Dec/Jan 88 seller. Barley: English Feed fob, Dec 117, Jan/March 119 East Coast sellers. Rest unquoted.

HGCA—Locational ex farm spot prices. Other milling wheat: E Mids 115.80. Feed barley: Eastern 106.00, E Mids 108.00. The UK monetary coefficient for the week beginning Monday November 29 based on HGCA calculations using four days exchange rates is expected to remain unchanged.

POTATOES

Heavy rains over the weekend added to the buying interest in a very strong market. Profit-taking when April reached £10 up brought a sharp reaction, but pressure from underlying buyers was consistently in evidence, reports Coley and Harper.

Month	Yesterd'y close	Previous close	Business Done
	£ per tonne		
Feb	79.50	76.00	78.50-76.50
April	115.10	105.10	105.00-99.00
May	118.10	[illegible]	114.56-06.00
Nov	87.50	[illegible]	—
Feb	78.60	78.60	—

Turnover: 1,544 (1,422) lots of 40 tonnes.

RUBBER

The London physical market opened steady, attracted good interest throughout the day and closed on a firm note. Lewis and Peat reported a December fob price for No 1 RSS in Kuala Lumpur of 194.25 (193.25) cents a kg and SMR 20 170.0 (168.0).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
Dec	50.00-51.00	49.50-49.80	49.50
Jan	51.00-51.50	49.60-50.00	—
Jan-Mar	52.00-52.10	50.70-51.00	52.40-50.43
Apr-Jne	54.50-54.75	53.30-53.40	55.50-53.63
Jly-Sept	56.90-57.00	55.40-55.50	57.40-56.00
Oct-Dec	58.90-59.00	57.40-57.60	59.80-58.53
Jan-Mar	61.00-61.20	59.00-59.20	61.90
Apr-Jne	63.00-64.00	61.00-61.30	66.76-66.40
Jly-Sept	[illegible]	[illegible]	—

Sales: 496 (302) lots of 15 tonnes, 8 (3) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 49.50p (48.25p); Dec 54.00p (52.75p); Jan 54.25p (53.00p).

INDICES

FINANCIAL TIMES

Nov. 19	Nov. 18	M'th ago	Y'ar ago
239.72	231.48	236.93	247.92

(Base: July 1 1952 = 100)

REUTERS

Nov. 22	Nov. 19	M'th ago	Y'ar ago
1567.5	1555.0	1512.1	1615.9

(Base: September 18 1931 = 100)

MOODY'S

Nov. 19	Nov. 18	M'th ago	Y'ar ago
983.7	975.0	979.4	985.1

(December 31 1931 = 100)

DOW JONES

Dow Jones	Nov. 19	Nov. 18	Month ago	Year ago
Spot	129.35	120.35	127.59	—
Fut're	135.19	135.27	136.16	—

(Base: December 31 1974 = 100)

SOYABEAN MEAL

The market opened £1.50 with weaker sterling being the main feature, reports T. G. Roddick. Prices worked higher before easing on light commission house selling.

	Yesterdays Close	+ or −	Business Done
	£ per tonne		
Dec	139.00-39.1	+1.25	139.80-39.00
Feb	144.16-44.2	+1.46	144.80-41.80
April	144.10-44.2	+1.40	144.80-43.90
June	139.70-39.9	+1.30	140.00
August	139.70-40.0	+1.35	—
October	138.00-38.5	+0.25	—
Dec	138.00-43.0	+0.60	—

Sales: 191 (244) lots of 100 tonnes.

SOYABEAN OIL — Prices opened slightly easier and moved lower before late buying steadied the market lot it to close mixed. Close (U.S. $ per tonne): Dec 400.0, 417.0, untraded; Feb 421.0, 427.0, 424.0; April 421.5, 433.0, 428.0; June 436.5, 437.5, 437.0; Aug 438.0, 445.0, untraded; Oct 441.0, 451.0, untraded; Dec 445.0, 400.0, untraded. Sales: 31 (17) lots of 25 tonnes.

SUGAR

LONDON DAILY PRICE — Raw sugar £108.00 (£103.00) a tonne cif Nov-Dec-Jan shipment. White sugar daily price £144.00 (£134.00).

The renewed weakness of sterling lifted prices at the opening. Further gains were recorded but these were lost by the close, reports C. Czarnikow.

No. 4 Contract	Yesterday close	Previous close	Business done
	£ per tonne		
Jan	120.80-28.00	118.00-20.00	—
March	120.50-20.60	122.75-23.00	127.15-22.60
May	130.50-30.65	126.60-26.85	131.75-28.75
Aug	134.00-34.80	130.50-30.80	135.50-33.50
Oct	139.70-39.80	135.50-35.80	140.25-35.65
Dec	144.50-45.00	140.50-41.00	—
March	149.00-49.50	145.00-46.05	—

Sales: 4,634 (3,995) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £405.90 (same) a tonne for home trade and £213.50 (£208.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for Nov 19. Daily price 6.58 (6.46); 15-day delivery 6.49 (6.46).

TEA AUCTIONS

LONDON TEA AUCTION — 23,375 packages were on offer at this week's auction. A very strong demand prevailed. Assams came in for keen competition and having opened firm closed dearer with dusts and brokens particularly strong. Sylhets were also well received and gained 2p. African CTCs met a very good demand with brighter types generally 3p higher and dearer. Mozambique orthodox sorts planted mediums often substantially *dearer*. *Mozambique orthodox* sorts again sold well and out on several pence. Ceylons were very strong and prices advanced. Quotations. Quality 135p a kg (135p). mediums 128p a kg (127p). plain 80p a kg (78p).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 512.5, 513.0, 512.5-511.5; *March* 526.0, 527.0, 527.0-525.0; May 542.0, 543.0, 543.0-541.0; July 550, 553.0, 552.0-551.0; Oct 531.0, 531, 531-531.0; Dec 533.0, 533.5, 535.0. March 545.0, 557.0, *untraded; May* 550.0, 560.0, untraded. Sales 104.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business). New Zealand cents per kg. Dec 360, 363, 361, Jan 360, 369, 367, March 376, 379, 378-377; May 386, 388, 387-386; Aug 407, 409, 408; Oct 411, 413, 412-411; Dec 414, 416, 415, Jan 416, 419, 417; March 420, 422, 421, May 426, 28, 27-26. Sales, 35.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 98 tonnes. While a fair volume of inquiry was encountered, actual business was on a modest scale. Attention was directed towards Middle Eastern growth, with Turkish and Russian styles largely supported.

JUTE

JUTE—*C and I Dundee* BWC £248, BWD £222, BTB £270, BTC £247, BTD £220; c and I Antwerp BWC £244, BWD £219, BTB £265, BTC £243, BTD £218, c and I Dundee Nov 40 in 10 oz £12.92, 40 in 7.5 oz £9.75; B Twills £3902.

MEAT/FISH

SMITHFIELD—Pence per pound Beef: Scottish killed sides 81.3 to 88.9. Veal: Dutch hinds and ends 139.0 to 140.0. Lamb. English small 66.0 to 69.0, medium 64.5 to 67.5. Scottish heavy 57.0 to 62.0. Imported New Zealand PL 51.0 to 52.0, PM 50.0 to 51.5, YL 48.5 to 50.0. Pork. English, under 100 lb 40.5 to 53.0, 100-120 to 43.0 to 51.5, 120-150 lb 41.3 to 48.3.

MEAT COMMISSION—Average fatstock prices at representative markers GB—Cattle 98.03p per kg lw (+0.30). GB—Sheep 144.97p per kg est dcw (+0.85). GB—Pigs 74.71p per kg lw (−0.31).

GRIMSBY FISH—Supply fair, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £7.00-9.00, codlings £4.00-5.50. large haddock £4.00-5.80; large plaice £5.50-7.40, medium £5.50-7.20, best small £4.00-5.70, large skinned dogfish £12.00-14.00, medium £11.00-12.00; medium lemon soles £11.00; rockfish £2.80-5.10; saithe £3.90.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Satsumas—Spania 10-kg 2.80-3.30. Oranges—Outspan Valencia Lates 40 5.20, 48 5.70, 56 6.00, 72 3.60, 88 3.20, 112 2.25, 138 3.00, 150 3.00. Australian Valencia Lates 72/80 4.00-5.00. Navelinas—Spania 3.50-5.20. Lemons—Turkish 80/150 3.50-4.00. Cyprus, 9-kg 3.50-4.30; Spania, Tray 5-kg 25/50 1.80-2.40. Grapefruit — Cyprus 32.56 4.00-4.50, Jaffa 36.54 4.80-5.50. Cuban White 3.00, Ruby 3.00; Honduras Ruby 4.50-5.00, White 4.00-4.50. U.S. Ruby 36/40 7.50-9.00. Clementines—Spania 3.50-4.50, Morocco 3.60-4.60. Apples—French Golden Delicious 18-kg 4.50-5.80, 9-kg 2.40-3.00. Starkrimson 18-kg 4.00-5.50. Granny Smith 18-kg 4.80-5.80, 9-kg 2.50-3.00. U.S.: Red. English Produce: Potatoes—Per bag 2.00-2.75. Mushrooms—Per pound, open 0.50-0.60, closed 0.80. Lettuce—Per pound, round 0.80-1.50. Onions—Per 55 lb 1.80-2.60. Spring Onions—Per bunch 0.08-0.10. Pickling Onions—Per 56 lb 2.50. Leeks—Per 11 lb 1.20-1.60. Cabbages—Per 25 lb 1.20-1.60, per 28-30 lb white/red 1.60-2.40. Greens—Per 28 lb 1.80-2.60. Broccoli—Per pound 0.35-0.40. Brussels Tops—Per 28 lb 1.20-1.50. Spinach—Per 10 lb 1.00-1.60. Sprouts—Per 20 lb 1.00-1.60. Carrots—Per 28-28 lb 0.60-1.20, per bunch 0.05-0.10. Cauliflowers—Per 12, Kent 2.40-4.20. Celery—Per 18/35 winter crop 4.00. Turnips—Per 28 lb 1.40-1.60. Swedes—Per 28 lb 1.00-1.20. Parsnips—Per 28 lb 1.20-1.67. Jerusalem Artichokes—Per pound 0.20-0.25. Apples—Per pound, Bramley 0.06-0.14, Cox's 0.10-0.18, Russets 0.10-0.20, Spartan 0.06-0.18. Pears—Per pound, Conference 0.9-0.19, Comice 0.15-0.20.

AMERICAN MARKETS

NEW YORK, November 22.

Precious metals weakened on selling prompted by a lack of reaction to the discount rate cut and on news of little progress being made on the road to economic recovery. Heavy long liquidation on the large build-up in Comex and LME stocks prior to the liquidation of the December contract plus keen arbitrage selling put copper prices under considerable pressure. Disappointing supply and disappearance estimates prepared by the U.S. Government for this year's cotton plus a lack of prospects for a quick turnaround in the export picture left cotton prices sharply lower. Coffee prices finished very strong as aggressive short-covering developed on the tight spot supply situation in London. Cocoa prices declined moderately as origin selling was followed by dealer hedging and steady arbitrage selling. Sugar prices came under pressure as reports of Soviet purchases in the EEC market failed to generate any follow-through buying also very active arbitrage selling helped but further pressure on prices. A massive sell-off resulted in big losses in heating oil prices. Reports of active inquiry by India raised wheat prices sharply above previous levels. Soyabeans and soya products advanced early in the day on steady buying from the continent which allegedly represented Eastern Europe, but could not hold their gains and finished mixed. Maize closed mixed in a very narrow range as heavier flow of country marketings dampened the buying interest, reported Heinold.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	1301	1315	1357	1403
March	1434	1489	1430	1480
May	1484	1531	1474	1531
July	1521	1565	1525	1568
Sept	1554	1600	1559	1601
Dec	1598	1637	1610	1645

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	141.94	142.00	139.00	138.98
March	141.33	141.33	137.70	137.33
May	134.73	134.75	131.25	130.95
July	127.80	128.50	126.50	128.00
Sept	134.00	124.50	123.00	123.00
Dec	122.00	122.00	120.00	120.00
March	121.50	119.38	119.00	118.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Nov	62.35	—	—	63.60
Dec	62.50	63.50	62.40	63.80
Jan	63.10	64.00	63.75	64.40
March	64.40	65.50	66.30	65.75
May	65.60	66.50	65.40	66.80
July	66.60	67.60	66.65	67.85
Sept	67.65	68.70	67.50	68.90
Dec	69.25	70.35	69.25	70.50
March	70.75	71.90	71.00	72.00
May	71.75	72.70	72.20	73.00

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.90	63.41	61.70	63.30
March	65.10	66.18	64.99	65.90
May	66.55	67.35	66.30	67.02
July	67.40	68.30	67.40	68.13
Oct	66.10	68.40	60.10	66.30
Dec	65.85	60.10	68.82	66.35

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	405.2	—	—	413.9
Dec	406.0	412.5	405.0	414.8
Feb	412.2	419.5	411.6	421.2
April	418.4	426.5	417.5	427.d
June	424.7	431.5	423.0	434.1
August	431.0	436.4	434.0	440.0
Oct	437.5	439.2	438.0	447.3
Dec	444.1	452.0	444.0	454.1
Feb	451.1	457.0	454.8	451.3
April	458.3	463.5	463.5	468.7
June	465.d	472.6	468.0	476.2
August	473.2	479.0	479.0	484.0

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Dec	90.25	92.00	90.00	91.57
Jan	90.03	91.90	89.00	91.46
Feb	88.84	90.80	89.70	90.47
March	87.07	88.70	86.90	88.54
April	85.20	86.70	85.00	86.72
May	83.70	85.25	83.70	85.25
June	83.70	85.25	83.70	85.25

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	124.60	125.00	124.35	124.85
March	125.70	126.10	125.50	125.60
May	126.80	127.00	126.40	126.85
July	127.35	127.95	127.95	127.95
Sept	128.85	129.00	129.00	129.45
Nov	130.20	—	—	130.15
Jan	130.60	131.00	121.00	130.40
March	131.20	—	—	131.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	344.1	350.0	350.0	359.7
Dec	345.1	—	—	360.7
Jan	346.1	358.0	344.5	361.7
April	351.1	364.0	350.0	367.5
July	357.1	371.5	357.5	374.3
Oct	362.8	379.5	379.5	380.8
Jan	368.5	387.0	383.0	387.3
April	374.9	—	—	394.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	7.00	7.15	7.15	7.17
March	7.75	8.01	7.74	7.90
May	8.05	8.38	8.04	8.14
July	8.22	8.48	8.21	8.35
Sept	8.50	8.60	8.50	8.65
Oct	8.71	8.97	8.71	8.89
March	9.53	—	—	9.72

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	928.0	965.0	924.0	977.0
Dec	929.0	969.0	929.0	979.0
Jan	936.2	974.0	949.0	986.2
March	952.5	992.0	952.5	1002.5
May	968.5	1007.0	968.5	1018.5
July	984.7	1024.0	984.7	1034.7
Sept	1000.9	—	—	1050.9
Dec	1025.5	1068.0	1030.0	1075.5
March	1049.8	1050.0	1049.8	1100.8
May	1060.0	1111.0	1067.0	1110.0

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.02	59.45	58.57	59.47
Feb	56.37	57.10	55.87	56.82
April	57.35	58.00	56.57	57.27
June	59.52	60.05	58.75	59.40
Aug	58.42	58.90	58.05	58.75
Oct	57.37	57.75	57.25	57.40

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	56.05	56.25	55.10	56.15
Feb	56.00	56.35	55.30	56.75
April	52.62	53.25	52.32	53.17
June	53.75	54.10	53.30	54.00
July	53.20	53.67	53.00	53.80
Aug	51.30	51.90	51.17	51.72
Dec	47.40	47.40	47.40	47.40
Feb	46.60	46.60	46.60	46.50

MAIZE 5,000 bu min, cents/56lb bushel

	Close	High	Low	Prev
Dec	239.0	240.4	237.4	239.4
March	245.0	247.4	244.4	246.2
May	252.4	255.0	252.2	253.2
July	259.0	261.4	258.2	258.0
Sept	263.2	266.0	262.4	263.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	81.35	81.90	81.35	83.35
March	80.32	81.30	80.32	82.32
May	78.77	80.35	78.77	80.77
July	76.67	78.40	76.50	78.50
Aug	74.00	75.20	73.55	75.55
Feb	65.15	65.55	64.50	64.70
March	63.00	63.55	63.00	63.10

SOYABEANS 5,000 bu min, cents/60lb bushel

	Close	High	Low	Prev
Nov	597.4	602.4	594.6	596.0
Jan	578.4	580.4	576.4	578.4
March	589.0	596.2	587.4	588.6
May	598.0	604.d	596.4	597.0
July	605.4	612.0	604.0	605.4
Aug	606.0	612.0	606.0	605.0
Sept	596.4	601.0	596.4	596.0
Jan	611.0	619.0	603.4	607.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	176.0	178.0	175.2	177.3
Jan	175.9	178.1	175.3	176.9
March	179.6	178.6	175.8	177.4
May	177.8	179.3	177.6	179.2
July	179.3	179.7	178.0	170.5
Aug	178.0	178.5	178.0	178.0
Sept	179.0	179.5	178.2	179.0
Oct	180.8	181.5	180.0	181.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	17.21	17.27	17.02	17.05
Jan	17.37	17.46	17.21	17.24
March	17.71	17.00	17.57	17.59
May	17.98	18.10	17.83	17.85
July	18.25	18.40	18.25	18.18
Sept	18.30	18.35	18.26	18.18
Oct	18.30	18.30	18.20	18.18
Dec	18.50	18.50	18.40	18.41

WHEAT 5,000 bu min, cents/60lb bushel

	Close	High	Low	Prev
Dec	340.2	341.6	336.0	334.d
March	356.0	357.0	351.0	349.4
May	361.2	361.0	356.0	354.8
July	362.0	363.0	358.2	357.2
Sept	369.0	369.0	366.0	363.4
Dec	384.0	395.0	380.4	379.2

SPOT PRICES—Chicago loose lard 17.00 (same) cents per pound. Handy and Harman bullion silver 957.00 (988.00) cents per troy ounce. New York tin 534.0-37.0 (542.0-46.0) cents per pound.

WORLD STOCK MARKETS

Dow closes sharply lower

WALL STREET stock prices, which had moved higher for several weeks in anticipation of a discount rate cut, were sharply lower today even though the Fed finally trimmed the rate it charges on loans to member banks.

The Dow Jones Industrial Average ended the day 21.25 down at 1,000.00. The index has not closed under 1,000 since October 29. Declines outpaced gains nearly three to one as volume moderated to just under 75m shares.

* * *

AT MIDSESSION the average was off 10.40 points at 1010.85; the New York Stock Exchange all-common index was down 74 cents at $78.58.

Analysts said investors are concerned that the Federal Reserve is acting very cautiously in bringing down interest rates. The market fell after a higher opening despite the fact that the Federal Reserve on Friday cut the Discount Rate to 9 per cent from 9½. The cut prompted several major banks to trim the Prime Rate by half a point yesterday morning to 11½ per cent.

Michael Metz of Oppenheimer and Company, said of the Discount Rate cut, "people were disappointed it wasn't a full point."

Analysts also said economic statistics released in recent days have done little to encourage the belief that the U.S. economy is in a sustained recovery.

Virginia Electric, the volume leader, was up ⅛ to $14. A block of 1.2m shares was handled at $14 by E. F. Hutton. Virginia Electric earlier said it would sell up to 5m shares to reduce debt.

Energy exchange, a new issue which has been actively traded in recent sessions, was up ½ at $2½ in busy trading.

Schering-Plough, which was strong last week after it discussed with analysts its work on Interferon, was off ⅛ to $39½. Johnson and Johnson, which is trying to re-establish its Tylenol brand by giving away free samples, shed ⅛ to $44⅛.

THE AMERICAN SE Market Value Index receded 2.37 to 331.79 at 1 pm. Volume 5.49m shares (5.89m).

Canada

Markets in Canada also declined sharply in moderate early dealings. The Toronto Composite Index was down 10.6 at 2,777.5 at noon, while Golds lost 23.6 to 2896.2, Metals and Minerals 14.1 to 1,582.3, and Oil and Gas 105 to 2,777.

Tokyo

Stock prices continued to build on their recent gains, pushed higher yesterday in active dealings by news of the U.S. Discount Rate cut last Friday and the yen's further rally against the U.S. dollar.

The Nikkei-Dow Jones Average advanced 46.64 to 7,901.56, making a rise over the past four business days of 203.29. The Average is now at its highest level for the past 10 months.

The Tokyo SE index strengthened a further 4.33 to 579.83, while volume on the First Market came to 540m shares, not far short of Friday's heavy 600m.

Foreign buyers remained active, with Steels, Shipbuilders and Computer Makers among those attracting good demand. Hitachi rose Y17 to Y782, Nippon Steel Y3 to Y141, Nippon Yusen Y17 to Y231, Toyota Motor Y15 to Y1,000 and Heiwa Real Estate Y15 to Y590.

Light Electricals and Precision Instruments were mixed on caution about current high price levels.

Shipbuilders, viewed as defence-related issues, were bought on the growing likelihood that former Defence Minister Yasuhiro Nakasone will be elected president of the ruling Liberal Democratic Party and prime minister. Mitsubishi Heavy moved ahead Y15 to Y222 and Kawasaki Heavy Y11 to Y173.

Also reflecting the recent revival of foreign buying, Securities Houses advanced, with Nomura adding Y20 at Y594 and Daiwa Y11 at Y406.

In contrast, many Pharmaceutical issues retreated sharply. Nippon Chemiphar lost Y300, the maximum permissible loss for one day, to Y1,550 on selling prompted by news that it is being questioned by health officials about the falsification of data for authorising a new drug. Elsewhere in the sector, Takeda shed Y7 to Y908 and Chugai Y60 to Y1,210.

Germany

Profit-taking pulled prices down from the session's best levels but the Commerzbank index was up 3.6 more at a 1982 high of 731.0 as confidence in West German shares continued to grow.

The rising D-mark and hopes for lower interest rates in West Germany after Friday's cut in the U.S. Discount Rate helped investors to forget the country's economic and political uncertainties. Foreigners were particularly keen buyers yesterday, dealers added.

With the rising Bond market making Chemical shares attractive on yield considerations, BASF improved DM 1.20 to DM 115, Bayer DM 1.20 to DM 109.80 and Hoechst DM 2.40 to DM 110.70.

Kaufhof was in demand on hopes of good Christmas sales and rose DM 5.50 to DM 184. Elsewhere in Stores, Karstadt climbed DM 2.50 to DM 194, but Horten lost DM 1.50 at DM 128.

Volkswagen declined DM 1.50 to DM 134 in continued reaction to its third-quarter results.

Hong Kong

Shares generally lost ground in extremely thin trading yesterday, overshadowed by weekend statements from Chinese officials about the future of Hong Kong.

The Hang Seng index, after recovering 32.18 last Friday, reverted to the recent downward course and shed 18.35 to 801.70. Turnover on the four exchanges amounted to only HK$74.53m, virtually half of the Friday total of HK$148.49m.

Brokers noted that Communist Party General Secretary Hu Yaobang cited recovery of Hong Kong as part of China's basic national policy, while Vice-Chairman of the National People's Congress Liao Chengzhi said sovereignty over Hong Kong will revert to China by 1997 at the latest.

The lack of any developments yesterday regarding rumours circulating last Friday was also held partly responsible for the market downturn. There was some expectation that interest rates here might be lowered, but after the weekly banks meeting on Friday afternoon it was announced that rates would be unchanged. Also, it was rumoured that local Peking-controlled banks were going to offer mortgages that would extend beyond the 1997 date when Britain's lease over Hong Kong from the Chinese expires, but there was no confirmation.

Australia

Markets were mixed to easier in slow trading, failing to respond to Friday's half-point cut in the U.S. Federal Reserve Bank's Discount Rate. The All Ordinaries index slipped 2.1 to 500.8.

Dealers said they were confused over the lack of response on Australian markets to the rate cut, which indicates further easing of U.S. monetary policy and lower interest rates generally. How Wall Street reacts overnight should give markets here direction, one dealer added.

Weaker groups included Banks, which are suffering from disappointing earnings results from National Bank of Australasia on Friday and ANZ a week ago. National Bank declined 4 cents to A$2.98 and ANZ 6 cents to A$3.60.

Retailers and Textiles were also lower as earnings predictions continue to be pessimistic. Oil and Gas issue Santos closed 8 cents down at A$5.80, having recovered from a day's low of A$5.70 after reporting a 150-barrels per day oil flow from the Jackson No 4 well.

Indices

NEW YORK-DOW JONES

	Nov 22	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1000.0	1021.25	1032.1	1027.5	1088.9	1021.43	1068.25 (4/11)	776.92 (12/8)	1068.25 (4/11/82)	41.22 (2/7/32)
Transport	420.04	433.10	434.95	433.68	426.41	436.8	452.19 (5/11)	292.12 (12/8)	452.19 (5/11/82)	12.23 (8/7/32)
Utilities	117.94	119.37	119.78	119.51	117.52	118.46	122.83 (11/10)	103.22 (28/7)	163.32 (20/4/69)	10.05 (28/4/42)
Trading vol 1000's†	7487	7031	7762	8444	10201	7890				

	Nov 19	Nov 12	Nov 5	(Year Ago Approx)
Ind div yield %	5.31	5.21	5.15	6.51

STANDARD AND POORS

	Nov 22	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	149.34	152.54	153.98	153.55	150.69	162.35	159.62 (8/11)	114.08 (12/8)	168.96 (28/11/80)	3.52 (30/6/32)
Composite	134.22	137.02	138.34	137.93	135.42	137.93	143.02 (9/11)	102.42 (12/8)	143.02 (9/11/82)	4.4 (1/6/32)

	Nov 16	Nov 3	Oct 27	Year Ago (Approx)
Ind div yield %	4.53	4.47	4.72	5.20
Ind. P/E Ratio	10.36	10.51	9.89	8.36
Long Gov Bond Yield	10.10	10.18	10.68	13.25

N.Y.S.E. ALL COMMON

Nov 22	Nov 19	Nov 18	Nov 17	1982 High	1982 Low
77.85	78.32	79.09	78.67	82.35 (9/11)	58.8 (12/8)

RISES AND FALLS

	Nov 22	Nov 19	Nov 18
Issues traded	945	1945	1928
Rises	444	688	921
Falls	165	877	654
Unchanged	336	380	353

MONTREAL

	Nov 22	Nov 19	Nov 18	Nov 17	1982 High	1982 Low
Industrials		322.13	322.97	320.34	334.09 (4/11)	249.68 (21/6)
Combined		310.77	311.39	309.88	320.84 (4/11)	237.27 (21/6)
TORONTO Composite	1812.3	1830.2	1843.1	1828.3	1956.3 (4/11)	1355.7 (21/6)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Nov. 22	Nov. 19	Nov. 18	Nov. 17	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	500.8	503.0	502.8	499.2	595.5 (4/1)	445.2 (8/7)
Metal & Minls. (1/1/80)	414.8	417.0	410.2	411.8	430.1 (5/11)	280.0 (8/7)
AUSTRIA Credit Aktien (2/1/62)	47.61	47.50	47.65	41.72	56.88 (4/11)	47.33 (28/10)
BELGIUM Belgian SE (31/12/63)	100.41	100.44	100.48	100.80	108.89 (22/8)	86.42 (26/11)
DENMARK Copenhagen SE (1/1/73)	116.72	110.13	110.58	115.94	128.22 (25/2)	108.51 (10/3)
FRANCE CAC General (31/12/81)	98.6	100.0	100.5	100.5	111.8 (12/6)	93.9 (12/8)
Ind Tendance (31/12/81)	120.8	121.0	121.50	121.8	124.8 (12/6)	97.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	241.82	238.56	237.88	(c)	241.02 (22/11)	214.88 (17/8)
Commerzbank (Dec 1953)	715.8	727.40	722.30	(c)	751.0 (22/11)	650.2 (17/8)
HOLLAND ANP-CBS General (1970)	97.7	96.8	96.5	96.0	99.8 (4/11)	84.0 (8/1)
ANP CBS Indust (1970)	78.0	76.6	18.5	14.9	78.8 (22/11)	65.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64)	801.70	820.05	787.87	810.79	1445.32 (12/1)	755.76 (28/10)
ITALY Banca Comm Ital. (1972)	(u)	164.92	162.77	158.7	219.08 (10/5)	147.28 (22/7)
JAPAN** Dow Average (16/5/49)	7901.56	7854.92	7785.43	7740.1	7928.55 (27/1)	6848.78 (1/10)
Tokyo New SE (4/1/68)	579.83	575.50	569.86	565.1	586.29 (27/1)	511.52 (11/6)
NORWAY Oslo SE (1/1/72)	112.67	112.45	113.02	112.52	166.39 (26/1)	100.12 (1/4)
SINGAPORE Straits Times (1966)	746.54	748.17	748.93	746.54	810.78 (6/11)	557.07 (16/8)
SOUTH AFRICA Gold (1958)	667.1	(u)	672.6	671.9	775.6 (21/10)	535.6 (8/7)
Industrial (1958)	656.5	(u)	665.0	661.6	711.7 (8/1)	561.6 (29/6)
SPAIN Madrid SE (30/12/81)	(c)	85.32	89.20	87.66	127.45 (9/2)	79.80 (30/8)
SWEDEN Jacobson & P. (1/1/58)	827.78	825.02	826.52	819.17	827.19 (22/11)	665.32 (29/4)
SWITZERLAND Swiss Bank Gpn. (31/12/58)	268.0	267.7	267.50	266.7	270.7 (12/11)	237.6 (17/8)
WORLD Capital Intl. (1/1/70)	—	147.8	147.6	146.6	149.8 (11/11)	118.4 (13/2)

(**) Saturday Nov 20: Japan Dow (c). TSE (c)

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named base on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed u Unavailable.

New York Active Stocks

Monday	Stocks Traded	3.00 p.m. Price	Change on Day
VA Elec	1,500,800	14⅛	+⅛
Energy Ex	941,800	2½	+⅛
Mattel	709,800	25⅛	¾
Exxon	664,800	28¾	
ATT	641,400	60⅛	⅜
Mer Lynch	465,300	80½	3½
Sony	461,500	16⅛	½
Westg Ele	453,780	37⅜	⅞
Scher-Plo	452,200	39⅝	⅛
IBM	438,400	81⅜	1⅜

Financial Rand US$0.761 (Discount of 15¼%)

LONDON STOCK EXCHANGE

Renewed sterling weakness puts Gilt-edged stocks under pressure again and equity leaders follow

Account Dealing Dates
Option

*First Dealings	Declara-tions	Last Dealings	Account Day
Nov 15	Nov 25	Nov 26	Dec 6
Nov 29	Dec 9	Dec 10	Dec 20
Dec 13	Dec 29	Dec 30	Jan 10

* " New-time " dealings may take place from 9.30 am two business days earlier.

Sterling's renewed weakness against the U.S. dollar and major European currencies yesterday took a toll on London stock markets. Confusion over the Government's attitude regarding the exchange rate triggered another sharp setback in Gilt-edged securities and trading conditions in the equity sectors became subdued as fears revived that the fall in UK interest rates may be arrested.

Currency worries outweighed favourable pointers from the U.S., including the long-awaited cut in the Federal Reserve Discount rate to 9 per cent and indications that the Fed is likely to welcome further reductions in interest rates and accept a less restrictive monetary policy.

The Gilt-edged market showed unwillingness from the opening and backed away from revived selling. Losses soon ranged to around 2 points among short and long-dated stocks before the late tone was helped by October's good balance of trade surplus. Quotations, with the notable exception of volatile Treasury 12¼ per cent Convertible 1986, which remained near the day's lowest, then recovered ¼ and occasionally more. Measuring the slide, the Government securities index fell 0.93 more to 81.10 for a loss of 4.35 in just over a week.

Leading shares initially held up reasonably well, but gradually succumbed to the prevailing uncertainty, which was aggravated by the flop of the Britoil offer-for-sale. Selling generally was relatively light, but potential buyers held off and the FT 30-share index went progressively lower to close around the lowest of the day with a fall of 7.6 at 617.9.

Most equity sectors shared in the reaction, although there was still considerable speculative interest being shown in smaller-priced issues and so-called penny stocks. Recipients of favourable week-end Press mention also attracted attention.

Dealings begin this morning in Britoil and was confirmed last night that over 70 per cent of the shares offered was left with underwriters. Dealers' estimates of a likely opening price varied, but many were hopeful of a trading level of around 90p for the £1-paid shares.

Minet weak

Currently under investigation by Lloyd's of London and the Department of Trade for alleged irregularities at its underwriting agencies, the much-troubled Lloyds Broker Minet suffered a further setback yesterday; following a 90-minute trading suspension, the shares dropped to 100p before closing a net 7 down on balance at 104p on the shock announcement that the chairman, Mr John Wallrock, had resigned after admitting a personal interest in reinsurance arrangements effected by the group's agencies. Other brokers reacted in sympathy with C. E. Heath ending 8 off at 312p awaiting today's interim figures. Willis Faber lost 5 to 490p and Stewart Wrightson softened 2 to 220p.

Composites drifted lower, Royals giving up 5 to 432p and Commercial Union a few pence to 126p.

Little of note took place in a lethargic banking sector. A dull market recently following a Press report that Bremar Holdings has petitioned the High Court to have the company put into compulsory liquidation, Sturla encountered renewed nervous selling and lost 2 to 6p. Elsewhere Hambros softened to 138p awaiting today's interim results.

Garfunkels Restaurants staged a highly successful debut in the Unlisted Securities Market; placed at 55p, the shares opened at 101p and momentarily touched 133p before settling at 112p.

A paucity of investment support made another uneventful session among leading Breweries. Regionals, however, again featured C. Ruddle which, unsettled still by the reduced interim earnings, gave up 11 for a two-day fall of 47 to 215p. Among Wines and Spirits, buyers again showed interest in Amalgamated Distilled Products, 3 up at 115p.

Leading Buildings turned easier with Costain losing 4 to 230p and Taylor Woodrow 10 to 545p. BPB Industries gave up 4 at 543p awaiting today's half-yearly results, while Redland, interim statement due on Thursday, shed the same amount to 252p. Elsewhere, Fairclough Construction put on 13 to 233p and William Press 3 to 84p reflecting considerations of the proposed merger. Press comment stimulated interest in Tysons (Contractors), which touched 72p before closing a net 4 up at 68p. R. M. Douglas gained 7 85p for a similar reason, but recently firm Tilbury Group met with profit-taking and shed 4 to 116p. Blockleys attracted fresh speculative buying on bid hopes and, in a thin market, put on 12 to a 1982 peak of 210p.

After opening slightly higher, ICI drifted back on lack of support to close 4 cheaper on balance at 340p. Among other Chemicals, Wolstenholme Rink encountered scrappy selling and shed 6 to a low for the year of 106p, but Delmar found buyers following Press comment and touched a 1982 peak of 38p before settling 6 higher on balance at 36p.

Profit-taking in Stores

A rising sector in recent weeks reflecting seasonal influences and hopes of a marked increase in consumer spending, major Stores succumbed to profit-taking and closed with falls to double figures. Gussies A finished 12 lower at 603p, while Habitat Mothercare shed 8 to 232p. Burton, preliminary results due today, eased 5 to 323p, while Boots, due to report interim figures on Thursday, shed 6 to 228p. Marks and Spencer and W. H. Smith gave up 6 apiece to 229p and 272p respectively.

Press mention prompted some good gains among secondary counters. Peters were active following comment in an influential newsletter and advanced 15 to 92p, after 96p. Heelamat, 3 up at 83p, and Steinberg, 7 better at 71p, made progress for similar reasons. A buy recommendation lifted Asil Nadir's Polly Peck to a new all-time peak of £14¾, up ¾, while Cornell closed 7 to the good at 232p. D-I-Y counters came under pressure with MFI, 152p, and Harris Queensway, 320p, both ending 6 cheaper. Tern-Consulate eased a couple of pence to 36p on the interim profits setback.

Double-figure falls were sustained by the Electrical leaders. A week-end Press article advising investors to switch from Plessey to GEC left the former 21 down at 622p; the latter also succumbed to close 6 down at 216p. Racal lost 12 to 590p and Thorn EMI gave up 10 at 425p, after 423p. BICC, however, rallied smartly after-hours to close only 2 off at 280p, after 273p. Elsewhere, Audio Fidelity continued to reflect the recent poor figures with a fresh slump of 4 to 8p, while falls of 10 and 12 respectively were seen in George H. Schules, 380p, and AB Electronic, 483p. Ferranti fell 9 to 458p, but recent speculative favourite, Arlen, put on 3 more to 101p in response to Press comment.

Helped by a combination of option business and buying ahead of the interim results scheduled for Thursday, Renold featured Engineerings with a jump of 11 to 34p, after 35p. Marionair found support at 240p, up 8, while Staveley Industries appreciated 6 to 258p and Pegler Hattersley improved 5 to 270p. Laird lost 5 to 93p as did Haden to 253p. APV closed 4 off at 263p; around 1.2m shares in the company, previously owned by St Regis Paper (Canada), were yesterday successfully placed with institutions. Adverse Press comment further weakened Vickers to a 1982 low of 98p before the shares ended a penny off on balance at 100p.

The Food sector featured Bio-Isolates which jumped 17 to 174p following comment highlighting the company's product; the shares are dealt in the Unlisted Securities Market. Leading shares finished with mixed movements after a slow trade. Kwik Save, a few pence easier initially, picked up 5 to 350p; a couple of pence dearer on balance at 320p; the preliminary results are due tomorrow. J. Sainsbury finished 3 off at 420p, after 417p, while profit-taking in the wake of the interim results left Tesco 4 down at 127p. Amos Hinton hardened 5 to 350p awaiting today's half-yearly figures.

Metal Box dip & rally

News of interim profits around £6m below expectations prompted a swift reversal in Metal Box which dropped from an initial firm level of 174p to 158p before closing a net 4 cheaper on balance at 164p. Pilkington lost 7 to 180p following the Board's declaration that more redundancies are being sought on Merseyside, while Beecham fell 10 to 380p ahead of tomorrow's interim results. Against the trend, Unilever picked up 15 to 790p, after 795p. Elsewhere, Donald Macpherson rose 6 to 53p in response to Press comment, while Exlel firmed 8 to 283p on buying in front of Thursday's half-year results. Cape Industries continued firmly, rising 4 afresh to 75p but recent high-fliers Cote and London and Liverpool Trust ran back on profit-taking, the former closing 12 down at 142p and the latter 14 easier at 244p.

Among Leisure Issues, Riley hardened a penny to 114p following the acquisition of Powersport and Laolvine for a total consideration of £3.675m, while Radio City put on 4 to 96p in response to satisfactory annual results.

Allied International Designers, dealt in the Unlisted Securities market, advanced 7 to 54p following the announcement of a tie-up with House of Fraser, which eased a couple of pence to 178p.

A shade firmer at first, leading Properties drifted back as interest faded to close with modest falls. Land Securities softened 3 to 258p, but MEPC held steady throughout to close unaltered at 170p. Great Portland Estates, 128p, and Stock Conversion, 260p, lost a couple of pence apiece. Elsewhere, Parkdale Holdings, a good market recently on acquisition news, softened a fraction to 49½p, but Marlborough met with support and gained the turn to 29p. Stewart Nairn firmed 2 to 41p, but Marler Estates, a rising market in the wake of the preliminary results, shed 3 to 77p. New Cavendish Estates gave up 10 to 280p following poor annual results.

Oils subdued

After opening a few pence firmer in the wake of Saudi Arabia's reaffirmed support for OPEC's $34 reference price, leading Oils subsequently traded on a subdued note, sentiment clouded by today's start of dealings in Britoil. British Petroleum touched 298p before drifting off to close 4 cheaper on balance at 290p, but Shell held up well and finished that much dearer at 408p. Press comment stimulated support for Tricentrol which touched 186p before settling 4 higher on balance at 182p; the interim figures are due tomorrow. Onshore explorers Carless Capel and Candecca shed 3 apiece to 131p and 130p respectively.

Shippings provided an outstanding dull feature in Common Bros., which slumped 15 to 75p following the final dividend omission and annual deficit.

Smaller-priced issues continued to make the running in Textiles. Once again, demand was selective and the rises were sometimes distorted by stock shortage. Favourable mention lifted Robert H. Lowe 9 to 42p, while Harold Ingram added 3 for a two-day gain of 7 to 24p. Highams, due to announce interim figures shortly, rose 4 to 52p. Milllins remained a volatile market and after dipping to 44p on consideration of an adverse article, later attracted revived support and finished a net 6 higher at 56p. In contrast, Textured Jersey, a buoyant market of late, encountered profit-taking and shed 5 to 65p, while Bulmer and Lumb, which announced disappointing interim figures last week, eased 5 to 44p.

Golds sharply higher

The further deterioration of sterling against the dollar continued to push South African Golds sharply higher in sterling terms, despite the decline in the bullion price which closed $10.5 lower at $408 an ounce.

Strong U.S. buying late on Friday night prompted jobbers to mark prices higher at the outset. Good London interest saw quotations edge further ahead during morning and early afternoon trading before the easing in the bullion price caused a modest setback prior to the official close.

However, after-hours' business was featured by renewed American buying and both sterling and dollar quotations settled with good gains on balance.

The Gold Mines index, which is calculated in sterling prices, advanced 14.8 to 405.2, its best level since the beginning of the month and a rise of 51.6 over the past five trading days.

Heavyweights emerged as the best performers with Randfontein £2½ firmer at a year's high of £52½ and Vaal Reefs £1½ up at a 1982 high of £48½. Gains of around a point were common in Winkelhaak, £17½, Southvaal, £26 and Free State Geduld, £22.

Platinums also continued their recent upsurge. Talk of a substantial U.S. buying order took the three quoted South African stocks up to the best levels this year with Impala 20 to the good at 408p, Rustenburg 8 firmer at 294p and Lydenburg 10 up at 200p.

Gold Mines of Kalgoorlie were prominent in an otherwise quiet Australian sector as persistent bid speculation and buying ahead of the pending scrip issue lifted the shares a further 20 to a 1982 high of 510p—a rise of 55 over the past three trading days.

Central Norseman added 20 to 425p while MIM Holdings edged up 4 to a year's high of 215p.

Falling equity values boosted demand for Traded Options puts which totalled 946, whereby a feat rarely achieved since the introduction of put trading last year. GEC were brisk traded with 189 calls and 374 puts done, with the January 217 puts accounting for 244 contracts. Nesfel business was also noted for ICI positions, especially the April 300 puts which attracted 193 trades.

FINANCIAL TIMES STOCK INDICES

	Nov. 22	Nov. 19	Nov. 18	Nov. 17	Nov. 16	Nov. 15	A year ago
Government Secs.	81.10	82.03	81.81	82.74	83.08	84.51	63.96
Fixed Interest	84.25	84.97	84.92	85.70	86.04	86.68	64.22
Industrial Ord.	617.9	625.5	625.9	628.4	616.2	632.0	517.8
Gold Mines	405.2	390.4	389.7	387.7	370.5	353.6	298.7
Ord. Div. Yield	4.82	4.77	4.78	4.73	4.85	4.69	5.60
Earnings, Yld.% (full)	10.50	10.33	10.35	10.24	10.04	9.91	[illegible]
P/E Ratio (net)	11.66	11.74	11.71	11.85	11.61	11.95	12.94
Total bargains	23,643	23,606	24,228	23,308	25,649	25,764	18,016
Equity turnover £m.	—	202.32	239.25	212.23	177.51	218.32	184.08
Equity bargains	—	18,294	19,315	18,595	18,616	21,920	13,732
Shares traded (ml)	—	14.18	162.4	142.1	117.5	149.9	103.5

10 am 622.7. 11 am 620.0. Noon 619.4. 1 pm 617.7. 2 pm 617.7. 3 pm 618.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974. †Correction. Latest Index 01-246 8026.

Nil=10.81.

HIGHS AND LOWS / S.E. ACTIVITY

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low		Nov. 19	Nov. 18
Govt. Secs.	85.84 (3/11)	61.09 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)	—Daily Gilt Edged Bargains	226.1	244.4
Fixed Int.	87.02 (12/11)	62.79 (5/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	118.5	126.1
					Value	408.9	483.6
Ind. Ord.	637.4 (11/11)	518.1 (13/1)	637.4 (11/11/82)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	239.1	285.1
Gold Mines	422.3 (21/10)	181.2 (22/6)	558.9 (22/9/80)	43.5 (26/10/71)	Equities Bargains	125.2	129.7
					Value	424.5	437.9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	46	29
Corpns. Dom. & Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	218	323	789
Financial & Props.	59	109	310
Oils	21	31	59
Plantations	[illegible]	[illegible]	10
Mines	77	13	58
Others	80	52	35
Totals	498	665	1,305

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible] H Dividends and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. ☉ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. ◆ Merger bid or reorganisation in progress.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bio-Isolates	174	+27	Minet	104	−7
Cote Group	142	−12	Peters Stores	92	+15
Garfunkels Restaurants	112	—	Polly Peck	£14¾	+¾
Impala Platinum	408	+20	Randfontein	£52½	+2½
London and Liverpool	244	−14	Rustenburg Platinum	294	+8
Metal Box	164	−4	Steinberg	71	+7

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
Lon and Liv Tst	20	258	−10	Polly Peck	13	£13¾	+¾
Combined Tech	15	35	−9	Cns. Gold Field	13	413	+17
Glaxo	15	£13¾	−¼	Parkdale	13	50	+6
Mellins	15	50	−12	Thorn EMI	13	435	−5
BICC	14	282	−5	Bats	12	573	−7
BP	14	294	−9	Beecham	12	390	−5
Hawker Sid	12	264	−10	Racal Elec	12	602	—

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Nov 22 1982

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

●Corrected index and yields for November 19.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 8	Nov 19	Feb 17	Feb 28
Nov 22	Dec 3	Mar 3	Mar 14
Dec 6	Dec 17	Mar 17	Mar 28

For rate indications see end of Share Information Service

Stocks favoured for the call included BSR, Combined Technologies, Trident TV, A, TSL Thermal Syndicate, Readicut, Turner and Newall, Roybeck, Renold, First National Finance, Inter-City, Kwik-Fit, Pineapple Dance Studio, Fobel International, London and Liverpool, Donald Macpherson, Currys, Cape Industries, Garfunkels Restaurants, Chloride, Kwik Save, Continental Microwave and Asprey. No puts were reported. Doubles were transacted in Pleasurama, First National Finance, ICL and North Kalgurli.

NEW HIGHS AND LOWS FOR 1982

NEW HIGHS (150)

AMERICANS (10)
CANADIANS (4)
BANKS (2)
BREWERS (1)
BUILDINGS (4)
CHEMICALS (2)
DRAPERY AND STORES (4)
ELECTRICALS (11)
ENGINEERING (4)
FOODS (5)
INDUSTRIALS (28)
INSURANCE (3)
LEISURE (1)
MOTORS (8)
NEWSPAPERS (1)
PAPER (2)
PROPERTY (2)
SOUTH AFRICANS (4)
TEXTILES (2)
TRUSTS (36)
OIL AND GAS (2)
MINES (19)

NEW LOWS (29)

BRITISH FUNDS (1)
Tr 9½pc '88 (£60 pd)
BANKS (1)
Sturla
CHEMICALS (1)
Wolstenholme
STORES (1)
Tern-Consulate
ENGINEERING (4)
Davy Corp — Vickers
Laird Group — West Brom Spring
INDUSTRIALS (1)
Flexello
INSURANCE (1)
Stenhouse
PROPERTY (3)
Oaejan — North Brit Props
Laing 8½pc LA
SHIPPING (2)
Common Bros — Milford Docks
TEXTILES (1)
Illingworth Morris A
TRUSTS (1)
Antofagasta
OIL AND GAS (5)
[illegible]
OVERSEAS TRADERS (1)
[illegible]
MINES (1)
[illegible]

SGB GROUP BUYS SADLER ASSOCIATES

SGB Group has acquired Sadler Associates (Holdings), a private company based in Rickmansworth, Hertfordshire, by the issue of 37,636 ordinary shares in SGB.

Sadler and its operating subsidiary Dynalarm, are engaged in the installation, rental, sale and maintenance of intruder alarm systems.

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on November 22 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING
[illegible]					

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. [illegible]

FT COMMERCIAL LAW REPORTS

Anti-union employer not liable for dismissals

THERM A STOR LTD v ATKINS AND OTHERS

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Watkins and Lord Justice May); November 18 1982.

WHERE AN employer reacts to a union's request for recognition by dismissing new employees, the employees are not entitled to compensation for unfair dismissal for "an inadmissable reason" in that the reason for dismissal was the union's request and not their individual union membership or activities.

The Court of Appeal so held when allowing an appeal by Therm A Stor Ltd (the company) from a decision of the Employment Appeal Tribunal, and restoring an industrial tribunal's decision that Mr John Atkins and three other employees (the respondents) were not entitled to compensation for unfair dismissal for an inadmissible reason.

Section 58(1) of the Employment Protection (Consolidation) Act 1978 provides that a dismissal shall be unfair "if the reason for it . . . was that the employee (a) was, or proposed to become, a member of an independent trade union; (b) had taken, or proposed to take, part . . . in the activities of an independent trade union . . ."

Section 58(5) and section 64(3) provide that such a reason is an inadmissible reason for unfair dismissal of new employees.

* * *

SIR JOHN DONALDSON said that the company's Peterborough factory opened in autumn 1979. A number of employees tried to introduce a trade union into the factory. They recruited on behalf of the Transport and General Workers' Union. By late April 1980 between 60 and 65 of the 70 employees had joined or applied to join.

On April 27 they asked the union to apply to the company for recognition. It wrote a letter to the company setting out its case for recognition. On April 30 the company decided to dismiss 20 employees immediately.

Eight charge-hands were instructed to select 20 employees for dismissal. It was left entirely to them to decide who should be chosen. The four respondents were among the group dismissed.

As all four had started work for the company less than 52 weeks before, they were ineligible for compensation under the usual provisions governing unfair dismissal. However, an employee could surmount that obstacle if he could show, not only that he was unfairly dismissed, but also that he was dismissed for an "inadmissable reason" under section 64(3) of the Employment Protection (Consolidation) Act 1978. Accordingly, that was what the four respondents set out to do. The reason in section 58(1) of the Act was an "inadmissible reason."

The industrial tribunal concluded that the reason for dismissal was that the company's managing director, was strongly anti-union and the dismissals were his reaction to the union's letter.

There was no doubt that all four respondents were most unfairly dismissed, but the tribunal rejected their claims because, in selecting them for dismissal the charge-hands did not take any account of their actual or proposed union membership or participation in union activities. None of the four could show that the reason for his dismissal was his union membership or activities, within section 58(1).

The Employment Appeal Tribunal took a different view. It considered that the industrial tribunal's construction of section 58(1) was too narrow and would render it wholly inoperative in many instances where it was intended to apply.

The first question was whether the charge-hands' reason for selection (which was probably "last in first out") was the reason for dismissal. Mr Tabachnik, for the respondents, submitted that so to conclude would be to confuse the reason for dismissal with the basis for selection. They were two quite different things.

That was right. The intervention of the charge-hands could be disregarded. It was concerned solely with selection, and not with the reason for dismissal.

The company dismissed the group of 20, not because any or all of them had joined the union or taken part in union activities, or had proposed to do so. It dismissed them by way of reaction to the union's letter seeking recognition. The reason for dismissal was the union's plea for recognition.

Mr Tabachnik submitted that section 58 should be construed so as to recognise what he called its "collective dimension." He said that it was difficult, if not impossible, to take part in trade union activities unless others did so, and the whole concept of union activities had an essentially plural basis. Accordingly, he said, if the respondents were members of a wider group (the TGWU) and the reason for their dismissal was an activity of that group, it followed that the reason for their dismissal was their union membership or activities.

That went beyond permissible limits. Section 58 was concerned solely with dismissal of an employee, and provided that it should be regarded as unfair if the reason was that "the employee" (that is that employee) had done or proposed to do one or more specified things. The reason why each of the respondents was dismissed had nothing to do with what each had personally done or proposed to do. The section therefore had no application.

The EAT had said that the section would be rendered inoperative in many instances where it must have been intended to apply. If by that it meant that protection should be given to new employees whose jobs were at risk when a union applied for recognition, his lordship would not dissent.

In such circumstances the union had a justifiable grievance. It was at risk of suffering considerable damage. If an employer could act in that way with impunity, employees in other factories might well hesitate before joining a union.

It was the duty of the courts to give effect to the intentions of Parliament. However, it was only too easy for a judge to persuade himself that Parliament must have intended to provide the remedy which he would have decreed if he had legislative power. In fact, Parliament might not have taken the same view of what was a mischief. Effect should be given to the intention of Parliament as expressed in the statute, applying the normal canons of construction.

Tempting as it was to provide the respondents with a remedy for an indefensible reaction to a simple request for union recognition, which could have been granted or politely refused, section 58 could not be construed as being intended to deal with such a situation.

The section was not concerned with an employer's reactions to a trade union's activities but with his reactions to an individual employee's activities in a trade union context.

With regret, his Lordship would allow the appeal and restore the industrial tribunal's decision.

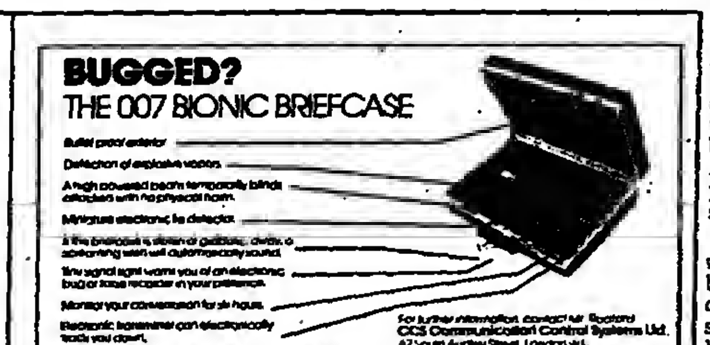
Lord Justice Watkins and Lord Justice May agreed.

Appeal allowed.

For the company: Bruce Reynolds (Rochman, Landau and Co.).

For the respondent employees: Eldred Tabachnik QC and Richard Field (Pattinson and Brewer).

By Rachel Davies
Barrister



UK NEWS

Go-ahead for tests on 'safer' frigate

By Bridget Bloom, Defence Correspondent

A CONTROVERSIAL new frigate design is being considered by the Government. It could eliminate problems such as fire hazard which arose during fighting in the Falklands war.

The Ministry of Defence has agreed to evaluate tests on models of the proposed frigate, known as Sirius 80. It has an all-steel structure and uses heavy diesel fuel which could be significantly less vulnerable to fire than traditional designs employing gas turbine engines and aluminium to lighten the superstructure.

The decision to give Thornycroft Giles, the naval architects, an opportunity to validate the new frigate has apparently faced opposition from the Government's own naval architects at Bath as well as from key figures in the Royal Navy.

One reason for the decision is believed to be the desire of Mr John Nott, the Defence Secretary, to produce reassessments of thinking in the Navy in general and the Government's own naval designers in particular.

The decision comes at a sensitive time – only five months after the Falklands war led to criticism of British warship design. Mr Nott is due to produce his White Paper (policy document) on the lessons of the Falklands conflict early next month.

Designers of the new frigate believe that tests will show their vessel – a shorter and wider version of the conventional long, slim warships – could not only carry far more defensive weapons systems but would be cheaper to build and more efficient to operate than the proposed next generation of warship.

The Navy's main doubt is whether such a design, which so far has been employed only in merchant ships, could ever achieve the speeds and reliability of a warship having to operate in the north Atlantic.

Steel consumers urge reduction in UK capacity

BY IAN RODGER

BRITAIN's steel consumers have declared themselves firmly in favour of further substantial cuts in the country's steelmaking capacity.

"Refusal to face up to this problem of eliminating excess capacity would only add to either steel users' costs or taxpayers' bills," Lord Marsh, chairman of the British Iron and Steel Consumers Council, said in a statement.

Lord Marsh said the output of the main steel-consuming industries – mechanical engineering, construction, motor vehicles and metal goods – had fallen massively since mid-1979 and there were no medium-term forecasts indicating that the British Steel Corporation's existing capacity would soon be fully utilised.

Unless cuts were made, BSC's operating costs would remain high and these would be passed on to its hard-pressed customers.

"To put British steel users at a disadvantage by depriving them of access to steel on the same terms as are available to their competitors would make no economic sense."

Lord Marsh also expressed concern about recent calls for tighter restrictions on steel imports.

"Two thirds of our imports come from other EEC countries. There are elaborate pricing rules governing sales within the EEC. The Commission needs to deal more effectively with breaches of them.

"The rest are already subject to controls on price and in many cases quotas. There is a real danger that further restrictions on them would provoke retaliation against the exports of (British) steel producers. Every country which supplies us with steel buys substantially more of the exports of our steel-using industries."

Lord Marsh recognised that the Government, which is now studying with BSC the question of further major capacity-closures, might decide that the social consequences of further retrenchment were intolerable. In that case, "the costs involved should be identified and compensated for, and not imposed on steel users in the form of higher prices."

Lord Marsh also said that he saw no justification for any steel price increases next year. Users' profit margins were seriously eroded by steel price increases imposed early this year and their markets remain depressed.

He pointed out that the steel-using industries provided some 15 times as much employment and exports as steel producers.

"No useful economic purpose would be served by protecting the steel industry at the expense of its customers. That would simply be to transfer unemployment from steel to engineering workers."

Exports of coal 'may double by 1990'

By Ray Dafter, Energy Editor

THE UK coal industry might be exporting between 10m and 20m tons a year by 1990, possibly twice as much as present exports, according to a report on the European coal industry, published today.

But the level of exports will depend on pricing policies and the closure of old, expensive-to-run collieries, says the Economist Intelligence Unit, publisher of the report*.

Mr Michael Prior, its author, says that closure of the most costly 10 per cent of production capacity could lower the average cost of British coal by 5 per cent.

Without substantial exports, the National Coal Board could again find itself producing far more than market demand.

The report forecasts that UK coal consumption in 1990 could total 105m tons, comprising 77m tons for electricity generation, 10m tons each for coke ovens and industrial uses, and 8m tons for the domestic and commercial markets.

This suggests that the recent decline in UK coal demand has not ended. Between 1970 and 1981, UK coal consumption fell from 157m tons to 118m tons.

* *Steam Coal and Energy Needs in Europe Beyond 1985 (No 134) by Michael Prior; Economist Intelligence Unit, 27, St James's Place, London SW1A 1NT; £75.*

$80m funding for Short Bros

BY ALAN WATSON

SHORT BROTHERS, the Belfast aircraft maker, yesterday announced the signing of a $80m funding arrangement with six U.S. and UK banks to assist American customers buying the company's regional commuter aircraft.

The company said it did not want the rapid growth of its airline sales to be constrained by the lack of an adequate financing programme, nor did the company want to be put at a disadvantage by the financing terms offered by competitors.

Citicorp International Bank and Citibank have assisted the company to tailor the package. The syndicate of banks consists of Citibank, National Westminster Bank, Security Pacific National Bank, Seattle First National Bank, Lloyds Bank International and the First National Bank of Chicago.

Initial funding of $80m will be made available to a U.S.-based wholly-owned subsidiary of Short Brothers, and the amount will be progressively extended. The Export Credit Guarantee Department has partly guaranteed the repayment and funding of the facility.

Short Brothers said the new financing would enable many airlines to bring forward the purchase of aircraft. This would assist the company's export drive.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Ridgefield Management Ltd.

Sun Alliance Fund Management Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

AA Friendly Society, Inv Ad M & G Invest Mgt Ltd
Farnum Hse, PO Box 93, Cardiff CF1 4NW. 0272 35542
AA Friendly Soc Bd Offer 50p.

Abbey Life Assurance Co. Ltd. (z)
1 1St Paul's Churchyard, EC4P 40X. 01-248 9111

Property Fund	213 1	224 5	....	—
Equity Fund	60 6	63 8	−0 7	—
Property Acc.	261.8	275.6	....	—
Equity Acc	61 2	64 5	....	—
Selective Fund	165 8	174.6	....	—
Money Fund	171.6	180.7	....	—
Convertible Fund	184 2	193.9	....	—
Prop Fd Ser 4	206 1	217 6		—
Equity Ser 4	67 2	70.8		—
Man Ser. 4	224 0	235 8	−0 7	—
Money Ser. 4	155.5	163.7	....	—
Conv Ser. 9	135 7	163 9	....	—
Fixed Int Fd Ser. 4	136.8	144 0	−2.0	—
American Ser 4	147 6	155 4	+1 1	—
High Inc. Ser 4	129 0	135 8	−0.5	—
Indexed Int Series 4	105.1	110.7	....	—
Pensions Property	315 1	331.7	....	—
Pensions Equity	350.6	369.1	....	—
Pensions Selective	168.4	177 3	....	—

Crown Life—Continued

DBS Managed	123.2	129 6		—
Crown Brit. Inv A		227 40		—
Pens Mixed Fd.	169 4	175.5	−1.5	—
Pens. Mang'd. Acc.	126 0	132.6	−1.1	—
Pens. Mang'd. Init	120 0	126.3	−1 0	—
Pen. Equity Acc.	116 0	122.1	+0.3	—
Pens. Equity Init.	110.1	115.8	+0.3	—
Pens. Fxd Int Acc	125 4	131 9	−4 7	—
Pens. Fxd. Int. Init.	119 3	125.5	−4.5	—
Pens. Money Acc	114 0	119 9	+0.2	—
Pens Money Init	108 3	113 9	−0.2	—

Crusader Insurance PLC
Tower Hse. 38 Trinity Sq, EC3N4DJ 488 2323

Growth Prop. Nov. 1	105.2	126.0	....	—
Mngd Pens Oct 13	131.77	138.70	....	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	93 3	96.7	−0.7	5.26

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	218 1	229 7	−1 1	—
Higher Inc. Fund	145 8	153.4	−0.4	—
Property Fund	196.6	206.9	....	—
Fixed Interest Fund	168.2	177.0	−2.2	—
Index Linked Secs Fnd.	100.7	105.9	−0.3	—
Gtd. Deposit Fund	138 9	146 2		—

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982 High	1982 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100	94¼	Exch. 8¾pc 1983	99⅞	......	8.76	9.08
98⅝	91	Exch. 3pc 1983	98½	...	3.04	8.92
101¾	95¾	Treasury 12pc 1983‡‡	100¾	–⅛	11.91	9.46
100⅝	92¾	Treasury 9¼pc '83	100	...	9.25	9.17
104⅝	96⅞	Exch. 13½pc '83	104xd	......	12.98	9.21
101¾	91⅞	Exch. 10pc 1983	101xd	...	9.90	9.26
98¼	87⅞	Funding 5½pc '82-84‡‡	97	–½	3.67	8.25
103¾	91⅞	Exch. 11¼pc 1984	101⅞	–⅜	11.04	9.53
107¼	96¼	Exchequer 14pc 1984	105¾xd	–½	13.24	9.81
94½	81⅛	Exch. 3pc 1984	93¼xd	–¼	3.20	7.30
105¼	91½	Treasury 12pc 1984	103¾	–½	11.57	9.69
112	96¼	Treasury 15pc 1985	109¾	–⅜	13.67	9.99
112¼	89½	Exch. 12pc Cnv. '85	106½	–1	11.27	8.84
91⅛	73½	Treasury 3pc 1985	89½	–½	3.35	7.72
105½	87½	Treasury 11½pc 1985	102⅞	–⅞	11.18	10.20
26¼	24⅜	Treas 8½pcCv 85 (£15pd)	25	–½	8.73	8.62
107⅝	88⅝	Exch. 12¾pc 1985	104⅞xd	–⅞	11.68	10.32
106⅝	86⅛	Exch. 11¾pc '86	103¾	–1	11.33	10.32
89½	69	Treasury 3pc 1986	89	......	3.37	6.59
107¼	86⅛	Treasury 12pc '86	104¾xd	–1	11.46	10.37
100	80⅜	Treasury 8¼pc '84-86‡‡	98¼	......	8.61	8.90
116⅝	96⅛	Treas. 12¾pc '86 Cnv.	108⅝	–2	11.28	9.08
114	91⅞	Exch. 14pc 1986	111¼	–¼	12.58	10.42
112	90	Exch. 13¼pc 1987	108⅞	–⅞	12.17	10.53
103½	98¼	Exch. 10½pc 1987	100⅜	–⅞	10.46	10.37
94¼	73⅞	Funding 6½pc '85-87‡‡	93	–¼	6.99	0.43
85¼	64½	Treasury 3pc 1987	84	–¼	3.57	7.11
109	85⅞	Treas. 12pc 1987	105⅝	–⅞	11.36	10.51

Five to Fifteen Years

1982 High	1982 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
98	72½	Treasury 7¾pc '85-88‡‡	95⅝	–⅛	8.33	9.45
65¼	59⅝	Exch 10½pc '88 (£60 pd)	61⅞	–¼	10.68	10.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

Undated

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

Companies and Markets **CURRENCIES, MONEY and CAPITAL MARKETS**

FOREIGN EXCHANGES

Sterling at 14-month low

Sterling fell to its worst level since September 1981 on a trade weighted basis in currency markets yesterday. Press comments over the weekend that the authorities may be prepared to see sterling fall further prompted renewed selling, with the pound closing at its worst level since March 1980 against the D-mark. Trading was very nervous with the Bank of England intervening from time to time.

The dollar rose in late trading, underpinned by demand in New York. This was despite Friday's cut in the discount rate and cuts yesterday in prime rates as well as a softer tone in Federal fund rates.

STERLING — Trading range against the dollar in 1982 is 1.9265 to 1.5945. Trade weighted index 86.7 against 86.5 at noon, 86.9 at the opening and compared with Friday's close of 88.4 and 89.0 six months ago. The pound is close to an all-time low against the dollar and has slumped against its European partners, amid fears of cheaper oil prices, lower interest rates and a worsening balance of payments position—Sterling touched a low of $1.5860 against the dollar before closing at $1.5940-1.5950, a fall of 3 cents and its lowest closing level for six years. Against the D-mark it finished at DM 4.06 from DM 4.1350 and SwFr 3.4925 from SwFr 3.5425. It was also lower in terms of the Japanese yen at Y406.25 from Y418.75, its lowest level since February 1979, and FFr 11.4650 from FFr 11.6850 against the French franc.

DOLLAR — Trade weighted index (Bank of England) 122.9 against 112.9 six months ago. High interest rates as a result of inflationary pressures caused by above target money supply have kept the dollar firm, and the U.S. currency has not been adversely influenced by hopes of lower interest rates to stimulate a weakening economy — The dollar closed at DM 2.5440 against the D-mark up from Friday's level of DM 2.5425 and SwFr 2.1890 compared with SwFr 2.1800. However, the Japanese yen continued to attract good demand and the dollar fell to Y254.65 from Y257.65. It was also weaker against the French franc at FFr 7.1925 from FFr 7.1950.

D-MARK — Trading range against the dollar in 1982 is 2.5940 to 2.2410. October average 2.5362. Trade weighted index 126.0 against 125.5 six months ago. The D-mark is strong overall despite a firm dollar, helped by an improving balance of payments position and confidence in the economic policy of the new Government—The D-mark was mostly firmer at yesterday's fixing in Frankfurt. The dollar slipped to DM 2.5345 from DM 2.5473, with no intervention by the Bundesbank as dealers looked for a further downward adjustment after the latest cut in the U.S. discount rate. Sterling continued to lose ground and was fixed at DM 4.0360 down from DM 4.1160. Within the EMS the Dutch guilder fell to DM 91.625 per Fl 100 from DM 91.74 while the French franc improved to DM 35.375 per FFr 100 from DM 35.355.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.3493	+0.82	+0.84	±1.5430
Danish Krone	8.23400	8.13616	−1.19	−0.87	±1.6421
German D-Mark	2.33379	2.32685	−0.31	+0.01	±1.0888
French Franc	6.61387	6.57688	−0.57	−0.25	±1.3940
Dutch Guilder	2.57971	2.55865	−1.56	−1.24	±1.5004
Irish Punt	0.691011	0.687081	−0.57	−0.25	±1.6691
Italian Lira	1350.27	1340.36	−0.73	−0.73	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

CURRENCY MOVEMENTS

CURRENCY RATES

THE POUND SPOT AND FORWARD

Belgian rate is for convertible francs. Financial franc 81.00-81.10. Six-month forward dollar 0.53-0.63c dis. 12-month 1.40-1.55c dis.

THE DOLLAR SPOT AND FORWARD

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.80-50.90.

EXCHANGE CROSS RATES

Nov. 22	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Dutch Guilder	0.228	0.360	0.918	91.05	2.887	0.788	1.	625.8	0.441	17.78
Italian Lira 1,000	0.429	0.684	1.742	174.5	4.220	1.499	1.902	1000.	0.839	33.81
Canadian Dollar	0.512	0.810	2.078	206.0	5.869	1.722	2.269	1193.	1.	40.34
Belgian Franc 100	1.269	2.024	5.152	515.5	14.86	4.432	5.626	2957.	2.479	100

MONEY MARKETS

Dealing rates steady despite sterling

UK clearing bank base lending rate 9 per cent (since November 5 and 8)

Trading was rather confused in the London money market yesterday, with many conflicting factors making it difficult to guage the exact size of the credit shortage. It seems likely the Bank of England succeeded once again in preventing an unwanted upward signal on interest rates by declining to buy long-dated bills from the market before lunch. The estimated shortage was revised upwards on two occasions, and although large conflicting money flows made it difficult to judge, market sources suggested that the final figure of around £600m was probably not artificially boosted in order to keep official dealing rates at established levels, and this would be borne out by the firmness of the overnight interbank rate, which touched 12 per cent before finishing to 10 per cent. The sharp fall in the value of sterling was reflected in a slight firming of longer term rates.

After lunch the Bank of England purchased some long dated bills, but only a relatively small number of band 3 bank bills, and no band 4 bank bills, preferring to deal mainly in Treasury bills and local authority bills, which the houses were prepared to offer at established rates. There was therefore no change in official dealing rates yesterday, but the total assistance of £535m did not appear to take out the full shortage.

In the morning the authorities gave help of £272m by buying £2m bank bills in band 1 (up to 14 days maturity) at 9⅛ per cent, and £270m bank bills in band 2 (15-33 days) at 9 per cent. At that time the forecast shortage was revised up to £550m from £450m. A further £263m of assistance was provided after lunch, when the Bank of England bought £39m bank bills in band 2 at 9 per cent; £5m Treasury bills, £9m local authority bills, and £55m bank bills in band 3 (34-63 days) at 8⅞ per cent; and £125m Treasury bills and £20m local authority bills in band 4 (64-91 days) at 8¾ per cent.

Several factors combined to make yesterday difficult to assess as various large sums moved around the banking system. The unwinding of repurchase agreements drained £813m, and bills maturing in official hands plus the take-up by the market of Treasury bills absorbed another £407m. These were partly offset by a fall in the note circulation of £207m, while Exchequer transactions added some £600m. Included in this figure was the 40 per cent call on Treasury 9½ per cent 1988, taking out £300m, which was outweighed by £868m paid to the local authorities in rate support grant, plus payment of dividends on gilt-edged stock.

LONDON MONEY RATES

Nov. 22 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8¼-12	8¾-9⅛	—	—	8¾-9⅛	6-9	—	—	—
2 days notice	—	—	8¾-9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9-9¼	8⅞-9⅛	—	—	—	8⅞-9	—	—	—
One month	9¼-9⅛	9⅛-9⅛	9¼	8¾-9⅛	9⅛	9⅛-9⅛	8⅞-9	9⅛	9⅛	9⅞
Two months	9¼-9⅛	9¼-9⅞	9⅛	8¾-9⅛	9¼	9⅛-2⅛	8⅞-8¾	8⅞-8⅞	8⅞	9⅞
Three months	9¼-9⅛	9¼-9⅛	9⅛	8¾-9⅛	9¼	9⅜	8⅞-8⅛	8⅞-8⅞	8⅞-8⅞	9⅞
Six months	9¼-9⅛	9¼-9⅛	9⅛	9⅛-8¾	9¼	9⅜	—	—	8¾	9⅜
Nine months	9¼-9⅛	9¼-9⅜	—	8⅛-2⅛	2¼	—	—	—	—	—
One year	9¼-9⅛	9¼-9⅞	10	9⅜-9	9¼	—	—	—	—	—
Two years	—	—	10⅜	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance Scheme IV Average Rate for interest period October 6 to November 2 1982 (inclusive): 3.753 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅛ per cent; four years 10⅛ per cent; five years 10⅞ per cent. ♦Bank bill rates in table are buying rates for prime papers. Buying rate for four-month bank bills 8⅞ per cent; four-months trade bills 9½ per cent.

Approximate selling rate for one month Treasury bills 8$\frac{27}{32}$ per cent; two months 9$\frac{27}{32}$-8⅞ per cent and three-months 8⅞-8$\frac{27}{32}$ per cent. Approximate selling rate for one month bank bills 9 per cent; two months 8$\frac{27}{32}$-8⅞ per cent and three months 8$\frac{27}{32}$-8¾ per cent; one month trade bills 9$\frac{7}{16}$ per cent; two months 9$\frac{5}{16}$ per cent; three months 9$\frac{7}{16}$ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from November 1, 1982. London and Scottish Clearing Bank Rates for lending 9 per cent. London Clearing Deposit Rates for sums at seven days' notice 6 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

MONEY RATES

FT LONDON INTERBANK FIXING

(11.00 a.m. NOVEMBER 22)

3 months U.S. dollars		6 months U.S. dollars	
bid 9⅛	offer 9¼	bid 9⅛	offer 9 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Subdued trading

Trading volumes fell in the London International Financial Futures Exchange yesterday. In the Euro-dollar sector opening prices were marked firmer, following Friday's half point cut in the U.S. discount rate with the March position starting at 90.18 up from 90.05 and trading in a narrow range. The opening of Chicago prompted an easing in values with a low of 90.14 touched before profit taking saw the price rise to finish close to its best level of the day at 90.22. There was little clear trend in the market as to the next movement in interest rates although a half point cut in U.S. prime rates initiated by Chase Manhattan may have helped. Total volume fell to 1,543 from 2,116.

In the currency pit sterling futures held steady at lower levels, reflecting a similar move in the spot market. After opening at 1.5935 in the December contract, sterling fell to a low of 1.5865 on renewed pressure before recovering to 1.5950 at the close, a fall of 2.55c. Sterling for March delivery closed unchanged from its opening quotation at 1.5980 down from 1.6235 on Friday. The market continued to be unsettled by speculation that a further depreciation in sterling's value may not be resisted by the authorities.

Prices fell sharply in early gilt-edged trading, reflecting movements in the cash market which was very depressed by the performance of sterling. Prices of the longer stocks fell by up to 2 points in early cash trading, before recovering slightly, but still finished about 1¼ down on the day. The March gilt futures price opened at 104-10 but fell very quickly to a low of 103-01, before closing at 103-12, compared with 104-30 on Friday. Trading in the June period only totalled 34 lots, and the lack of business meant that the opening price of 103-05 already reflected the sharp fall in the cash market, and the March position June closed at 103, against 104-12 on Friday, but the spread between the two contracts narrowed to 12/32nds from 18/32nds.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Latest	High	Low	Prev
Dec	90.58	90.62	90.53	90.48
March	90.22	90.24	90.14	90.05
June	89.79	89.80	89.75	89.65
Sept	89.40	89.35	89.30	89.22

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	78-04	78-20	77-23	78-06
Mar	77-22	78-04	77-05	77-25
June	77-11	77-25	77-09	77-14
Sept	77-08	77-16	77-01	77-06
Dec	76-31	77-09	76-29	77-01
March	76-29	77-09	76-29	76-31

CHICAGO

ART GALLERIES

CLUBS

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

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Design and editorial production of this survey: Mike Smith
Pictures: Hugh Routledge

China

After a period of upheaval China today seems set on a more stable course. Deng and his supporters seem to know what they want both politically and economically. Whether or not they can achieve their aim it is still too early to say

Steering steadily onward

BY ALAIN CASS, Asia Editor

Setting a good example. Workers in the Ministry of Trade demonstrate their own commitment to improved efficiency with a programme of morning exercises

IMAGINE a huge liner packed to the gunnels with people, steering a careful course through uncharted waters spiked with reefs and submerged wrecks. On the bridge the skipper, a tiny figure, cigarette in hand, delivers his orders to a motley crew in a quiet, steady voice.

The skipper knows he can trust his immediate lieutenants to faithfully carry out his orders. But he is not so sure of others among his senior officers any more than he can be certain that the engine room, the beating heart of his ship, will respond to his commands. Apathy is a constant preoccupation. Smouldering resentment, even mutiny, is a permanent worry. Meanwhile rocks loom ahead. Disaster is never far away.

One sometimes wonders whether Deng Xiaoping, skipper of China's great, lumbering ship of state, ever sleeps. He seems to have been more or less permanently on watch since his rehabilitation in 1977 and the beginning of his campaign to wrest the levers of power a year later.

Under his steady hand the ship has managed, just, to steer clear of disaster.

Mao Tse-tung, the Great Helmsman himself, would have envied Deng's feat of seamanship though he would no doubt have bitterly resented the course which his successor has set and the fact that his most cherished ideals are going overboard.

Broadly speaking China today seems firmly set on that course. An economy heavily weighted towards raising living standards, rather than the Maoist goals of heavy industry, collectivisation and defence. An open-door policy to foreign influence to an extent inconceivable 10 years ago and a frontal assault on a bureaucracy and a discredited Communist Party, weakened by corruption, nepotism and senility.

Realignment

In the foreign policy field a potentially far-reaching realignment in China's relations between the U.S. and the Soviet Union is under way.

It has not been easy. The passage so far has been rough and the forecast must be for more choppy waters ahead. The 12th Party Congress in September was by no means the clean sweep forecast for Deng.

His hold over the key decision-making bodies is certainly firmer. The old campaigner has cleverly manipulated the guanxi system — China's old boy network and the key to power — to his continued advantage. He has consigned some old enemies to oblivion and promoted a few more of his own protegees. They, in turn, appoint their own men thus spreading Deng's influence.

But others are stubbornly hanging on, a sign not only that Deng is far from being omnipotent but also that his opponents are still able to draw considerable support from a vast reservoir of opposition to the new policies and the new men.

Totalitarian and repressive it may be, but the Chinese version of Communism operates a democracy of sorts, not for the masses but for the millions of officials charged with carrying out the party line.

Their views percolate upwards right from village level to the leadership through a complex and overlapping system of allegiances. The struggle for power in China is more than just Deng versus the left. It involves a mass of conflicting interests and needs at every level of society. This two-way process means that Deng must conciliate and outmanoeuvre rather than dictate as he painstakingly builds his grand coalition.

Some of the leadership's new policies also indicate that he has had to compromise in order to get his men into place and preserve the most important elements of his programme. The slight tilt back towards heavy industry is one example.

At the very pinnacle of power—the Standing Committee of the ruling Politburo—Deng's conspicuous inability to shift diehards like Ye Jianying, China's 85-year-old head of state, and Li Xinnian, at 77 one of the great survivors of the years of turmoil, inevitably cramps his style.

At another level Deng has been unable to rid himself completely of Hua Guofeng, Mao's standard-bearer and, until recently, party chairman. Hua, demoted from the Politburo to the Central Committee, is a reminder of just how far Deng has moved China since Mao's death in 1976 and the coup against the Gang of Four, but also of how much further he still has to go.

Since the Congress, Deng has joined battle with diehards in the army where opposition to the deMaofication of China is perhaps greatest. Old men whose mutual loyalties were forged on the Long March and for whom Mao's robust brand or leftism represented an uncomplicated route to power feel that their cherished ideology is being sold down the river and they with it.

The army is not the only Maoist redoubt from which Deng's opponents snipe at his economic, social and educational policies. Deng also has to contend with opposition within the government where a more subtle form of sabotage, a sort of bureaucratic go-slow, conspires to delay the implementation of key reforms.

Deng has dealt with this problem by encouraging his two chief lieutenants, Party General-Secretary Hu Yaobang and Prime Minister Zhao Ziyang, to spring-clean the bureaucracy and the party.

More fundamentally Deng is launching a three-year campaign to purge the Communist Party of unreliables. This process, in which every one of China's 39m party members is likely to have his or her credentials scrutinised, is of far-reaching importance. It is also, typically for Deng, a high-risk policy since it threatens the one thing most cherished by a Chinese official; position and therefore an identity which sets him apart from the herd giving him access to privilege..

Still, it needs to be done because the party has lost its way in the post-Mao years and the search for a new role is urgent. Morale is low and the cruseding spirit which genuinely inspired a whole generation of Chinese who can still remember mass starvation before Communism, is gone, dissipated by two decades of infighting.

The Chinese under Mao at least knew where they stood even if many did not like it. Certainty bred confidence. The role they were required to play was clear-cut. Under Deng the script is more complex, the role less easy to slip into.

Materialist forces

There is also the risk that the materialist forces which Deng has unleashed in an effort to get the economy moving could get out of control and undermine the authority of the party itself. One example is the way in which people in the countryside are flouting the one child one family policy. More hands on the farm means more profits and the financial penalties of disobeying the party are no longer a sufficient deterrent. It requires a constant balancing act between initiative and control.

Despite all this, progress has been made in the past few years. Isolated pockets of the Chinese economy are becoming more efficient. Financial management is more prudent. The critical problem of the energy shortage is being tackled. A new, more realistic, more open-minded approach is noticeable among a greater number of middle-ranking officials.

Although the presentation of China's targets for the next 20 years—a quadrupling of production—smacks of the disastrous Great Leap Forward mentality the assumed annual growth rate of around 7.2 per cent is not entirely improbable.

There has been no retreat on privatisation, on the dismantling of the stifling collective system or on the crucial need for foreign technology and co-operation.

Whether Deng is able to hold his course depends largely on how long he lives and how much he can achieve in that time. His protegees are patently unable, as yet, to take over. They still have no independent power base.

The best hope for stability lies in the steady spread of a better standard of living and with it the message that you do not have to be a poor communist to be a good communist.

CHINA II

Budget almost in balance, inflation reduced, unemployment down

Progress continues but problems remain

ECONOMY
COLINA MACDOUGALL

ONE HOT afternoon in the crumbling streets of the old city of Sbanghal, a well-dressed young man carrying his laundry was pusbing a brand oew Chinese washing-machine towards the communal standplpe. There was no source of electrir power anywbere in sight.

Tbat litUe snapshot caught in one the essence of China's ecooomy today — a tide of new consumer goods, decaying capital assets, primitive living conditions and the chronic power shortage.

But progress is being made, as the washing-macbine sbows. Deng Xiaoping's men can point to major acbievements in the past year. Tbey pushed the budget almost into balaoce last year (Y106.4bn revenue aod Y109bn expenditure) and expect to do tbe same again this year (Y110.5bn and Y113.5bn). Tbus they clamped down oo inflation, whicb had probably been into double figures, thougb at the cost of huge subsidies to food and wages.

While wages have not gone up this year, big rises earlier meant that maoy people, at least in the towns, could afford better food and luxuries like labour-saving household aids.

Other problems partially solved include: unemployment; farm production; industry; price confusion; and foreigo trade.

Unemployment, estimated at 20m two years ago, seems to have mucb diminished, thanks to the concessions made to private enterprise.

People previously described as "waiting for jobs" havo been absorbed into collective businesses like restaurants or laundries. These fill a hugo gap in China left by the Gang of Four who drove out the service industries because they were "bourgeois."

In Shanghai, Mr Li Gonghao of the city's economic planning office told us that, except for the new middle school graduates, most young people who could be employed were now in jobs. In the past three years, he said, nearly 1m had found employment. Even if this is an exaggeration some progress has been made.

In farm production, an expected 334m tons of grain this year plus a variety of meat, vegetables and otber products, has trimmed the spectre of widespread hunger.

Today's model peasant is the one with the big income earned from selling surpluses or sideline products. Deng's men are continually encouraging this view with anecdotes about entrepreneurial commuoe members who earn praise from their party committees.

Cheap grain imports from the U.S. and others (13m tonnes last year at a cost of about $2.5bn) allow the leadership to permit some peasants to make money by growing cash crops inslead of grains.

In industry: the balance between light and heavy industry is improving.

The leadership is stickiog to its three year old consumers-first policy, but recognises that heavy industry cannot be neglected. Future priority will go to the energy and traosport infrastructure as a basis for progress in the 1990s.

China's oil, coal, hydropower and rail transport are attracting major foreign investment in the form of aid (mainly from Japan), soft goveroment credits (Japan aod Europe) and different forms of joint venture (the biggest will be in the offshore industry where about balf the foreign compaoies will be from the U.S.).

Foreign investment in the next five year plan period (1986-90) is likely to total about $20bn, Vice-Minister Wei Yuming of Foreign Economic Relations and Trade told us.

The price setting confusion in foreign trade and at home caused by the post-Mao decentralisation policy has been calmed by this year's reoewed stress on central planning. This tighter rein seems to have been applied without undue controversy.

Some consumer goods such as cassette recorders are making a big impact in China; others, as the drab clothes in this photograph show, still have to make their mork

The foreign trade deficit of the past four years has been eliminated. Trado this year will probably show a surplus of about $2bn, Vice-Minister Wei Yuming told us.

Very serious difficulties remain for China's future, bowever. The population-food balance can only just be maintained witb rigorous family planoing and a productive farming sector. It remains to be seen whether Peking can control the new baby boom in the countryside.

Agricultural output is shooting up because of Peking's liberalisatioo policy but if China changes the rules to bring the birthrate down, that may not last. In any case there will always be ideological pressure to cut back the individual element and this will be enhanced as one family or one village grows conspicuously richer than the others.

Endemic problems still face tbe industrial sector—antique equipment, overmanning, dreadful management, excessive red tape, misuse of trained manpower and leck of skills.

China needs a long, well-planned, cautious programme of retraining and re-equipment to overcome them. Unhappily some leaders now seem about to revert to tbe familiar Chinese accelerator—the promise of bigh output to come.

Party General Secretary Hu Yaobang announced at the party congress in September tbat China planoed to quadruple the value of output by the end of the century. Since then the Chinese press and officials have explained that this will come about througb doubling production of coal, steel and other commodities and introducing new modern industries.

The average growth rate of 7.2 per cent may sound reasonable (the same as the Soviet Union and less than Japan in the 1960s and 70s, the People's Daily argued) but it is incooceivable, industry observers say, that steel and coal could meet the target or that the nuclear or computer industries could have taken off sufficiently to boost output to the planned degree. Though the big push will come in the 1990s, the infrastructure has to be laid oow.

The rationale—that some industrialised countries achieved this growth after World War Two—overlooks fundamental differences from the Chinese situation. West Germany was belped to re-equip and the Soviet Union was able to ignore the consumer.

This controversial policy is currently dividing Chinese opinion and if implemented is likely to add to the existing strains.

The battle to hold down numbers

POPULATION
TONY WALKER

CHINA'S population growth rate of 1.455 per cent in 1981 is a worse result than Peking was aiming for and one that will not make it any easier for the Chinese to hold population numbers to 1.2bn by the turn of the century.

Chinese officials are still insisting that the population target will not be exceeded, but they have quietly stopped talking about more immediate targets such as 0.5 per cent growth by 1985 and zero growth by 1990.

It would seem likely that even if China continues to be successful in its efforts to reduce population growth, it will be battling to bold numbers to 1.2bn by the year 2,000, unless even more severe measures are introduced to introduced to further supress the growth-rate.

China's efforts in the past few years to contain population growth have met with a fair degree of success, but new policies in rural areas that encourage a degree of individual enterprise and therefore put a premium on extra workers per household are bringing family planning policies under strong pressure.

Peasant families are agitating to be allowed more than their allotted one child to provide extra manpower, and in many places government officials are finding it very difficult to persuade farmers to observe the rules.

In the next few years, as farmers become more prosperous under China's new agricultural responsibility system, birth control policies are likely to come under even greater pressure. Rural dwellers account for about 80 per cent of China's population.

Adding further to pressures on family planning policies is the fact that many of those born during China's baby boom of the late 1950s and early 1960s, when Mao rejected advice to impose stringent birth control measures are now at child-bearing age.

China's population at July 1 this year, according to tbo recent census, was 1,031,882m. The figure includes the population of Taiwan (18m) and Hong Kong and Macao (5m).

The main points to emerge from the recently published census results were:

- Males outnumber females 519.4m to 488.7m, the proportion being 51.5 per cent male and 48.5 per cent female.
- The dominant Han Chinese nationality number 936.7m or 93.3 per cent of the population.
- People with university education have increased since the 1964 census from 416 to 599 per 100,000.
- The number of illiterates and semi-illiterates in the population (people 12 years of age and above who cannot read or can only read a few words) numbers 235.8m, 23.5 per cent of tbo population with 38.1 per cent in 1964 (the year of tbo last census).

Reforms reduce level of official interference and increase output

Peasant farmer's lot improves

AGRICULTURE
TONY WALKER

IF YOU were to ask a Chinese leader what were among the government's significant achievements in receot years, the official would almost certainly include improvements in agriculture.

Deng Xiaoping's policies which encourage individual eotorpriso havo undoubtedly led to an increase in productivity in the rural sector. It does not appear to be an idle claim on the part of the leadership that peasants, who make up 80 per ceot of the population, are better off these days.

Rural dwellers living near cities and towns, wbere they cao more easily sell their extra produce, bave particularly benefited. No reliable figures are available for additional amounts of food produced in China beyond state quotas, but it could be as much as 20 per cent of all agricultural production.

The quality and quantity of food available in peasant markets (so-called "free" markets because they are outside state control) bas improved in the past three years. Surpluses of some commodities have even been reported.

According to official figures published recently by China Daily, agricultural output bas increased since 1979 at an average annual rate of 5.6 per cent compared with 3.2 per cent in the 26 previous years.

A nagging problem for the Government appears to be that as a result of the new policies the gap in living standards is rapidly widening between richer and poorer areas. For example, peasant income in fertile coastal regions is many times that in the poor Loess Country north west of Peking or in near-desert regions of Gaosu Province in the centre west of the country.

An interesting development in recent years is that peasant farmers have become robust and discrimioating consumers. According to a report published receotly by the Chinese Agricultural Bank, fertiliser sales in the first eight months of 1982 were up 13 per cent on the corresponding period last year, but supplies were 20-30 per cent short of demand.

Farm macbinery sales from January to August were up by 6.7 per cent and the increase in sales of all farm production equipment was up by 11.9 per cent. China's farm macbine factories are baving to adjust production to meet growing demand for small macbines and implements for use by individual farmers under the new responsibility system wbich encourages production on a bousehold by bousehold basis.

The Agricultural Bank reported that as a result of a rural bousing boom, there were chronic shortages of cement, glass and other building materials. It gave as an example of the surge in rural construction the case of communes under the Sbanghai Municipality wbere some 16m square metres of floor space had been built, three times that in the city proper in the past several years.

More tban 70 per cent of Chinese peasants are practising the responsibility system under whicb farmers contract with the state to meet production targets either on a bousehold, production brigade or production team basis.

At the same time as the rural responsibility system is being implemented, the authorities are setting about dismanUing Mao's system of communes. The leadership has made it clear this will be done gradually to avoid disruption and that the commune will still retaio a role in supervising agricultural production.

The authorities are returning agricultural management to the "Xiang" system in force before communisation. The "Xiang" is effectively a small country town. It will take over many of the administrative functions previously carried out by the commune.

According to Chinese officials, the "Xiang" experiment is proving effective and will spread throughout the country. Ono of the aims of tbe new reforms is to reduce the level of official loterference in the productive work of peasant farmers.

A problem for the authorities in the administration of the new system has been that farmers bave switched production in some areas from grain to more lucrative cash crops, but in the past year or so production quotas for grain bave been more strictly enforced.

China expects a record grain harvest this year of about 333m tonnes but it is continuing to import large quantiUes. U.S. Agricultural Department officials expect imports this year to reach about 16m lonnes compared with 13.5m last year.

China is probably finding it cheaper to buy on the world market at the moment than to purcbase and transport grain from its hinterland to cities like Shanghai (population 12m), a major recipient of imported graio.

China's rural industries also appear to be doing well. According to a report by tbe Ministry of Agriculture, animal husbandry and fisheries earnings at tbe end of the first six months of this year had grown by 55.4 per ceot since 1979.

The primary aim of the new agricultural policies to improve and increase the basic diet of more than 1bn Chinese, has begun to be realised, judging by figures released recently by the State Statistical Bureau.

The bureau reported recently that since 1978 there bad been a 15.4 per cent increase in the daily caloric intake of Chinese to an average of 2,666 calories (compared with an intake of 3,000-3,500 in the West). Protein intako bad gone up to 78.8 grammes compares with about 70 grammes in 1978.

Most economic indicators tend to support claims by the leadership of markedly better conditions in the countryside.

Workers on the Ho Chao commune near Shanghai: the commune system is to be dismantled, although this will be done gradually to avoid disruption

CHINA'S GRAIN CONSUMPTION
(millions of tonnes)

	output	imports
1978	304	9.4
1979	332	10.8
1980	320	13.5
1981	325	13.5
1982	333*	16.0

Source: China Business Review and U.S. Department of Agriculture

Reforms have been made but the leadership is still having to make compromises

Conflicting forces hold back Deng's modernisation

A soldier stands symbolically under Mao's portrait — one of the few left in China — in Peking's Tiananmen Square. The army still clings closer to Mao's doctrines than other factions in China's leadership, although Deng has now started to put his own men into its top ranks.

"OUR POLITICS are like your weather in London," said the Shanghai medical technician with a smile. "When we Chinese go out, we take an umbrella."

Six years after Chairman Mao's death no-one expects a thunderstorm, but the political forecast is still cloudy and uncertain. There are cross-currents of conflict, enhanced by the age of Deng who at 78 is China's paramount leader but cannot count on many more years to exert his power.

In China today the issues are not a simple matter of left versus right, or Maoists versus pragmatists, if they ever were. With Mao's dominant personality now firmly out of the way and many prominent leftists locked up or demoted, interest groups bring pressures on key policy makers in which leftism and the legacy of the Cultural Revolution play only a part.

Technology

These groups are built round a variety of needs, desires, and problems such as how and where to industrialise, with foreign technology or with Chinese, and who shall run what with whom.

These twine and intertwine in a way which defies identification from the outside. On top of that, the Chinese sometimes baffle China-watchers by changing sides. Not everyone who was anti-Mao is necessarily pro-Deng, or if they were in Mao's time they may have had second thoughts.

Wei Guoqing, for instance, who was recently dropped from his post as head of the army's

POLITICS
COLINA MACDOUGALL

General Political Department was believed to have helped harbour Deng when he was sacked for the second time in 1976.

Wei, an elderly soldier who could still repeat, as he did earlier this year, the leftist line that politics is the lifeblood of all work, was clearly out of tune with the Thought of Deng.

The overall effect of the different and competing interests is that although Deng has rid the summit of the leadership of leftists like the former Chairman Hua Guofeng and brought in younger men, he will continually have to compromise with Hua sympathisers and other interests.

That said, he must look out from his comfortable apartment in Peking's Zhongnanhai with some satisfaction at the way things have gone this year. While not all the new officials appointed recently will support him in every policy, the trend is in the right direction.

This year he has started three reform movements which have already made considerable changes. Probably the most important is the move to streamline, and rejuvenate the still old-fashioned army. He has, however, lost his protege, Geng Biao, recently replaced as Defence Minister.

Deng seems to have put down a direct challenge to his authority in September when the army newspaper published an article critical of his policies. It later carried a retraction, which also appeared in the Shanghai press.

Deng reportedly has a slate of changes scheduled for the powerful commanders of China's 11 military regiments, of which four have already taken place (Wuhan, Chengdu, Canton and Nanking). The navy commander was replaced in early autumn by a former deputy chief of the general staff, Liu Huaqing, believed to be his man, while the slot at the head of the army's General Political Department was taken by the former minister in charge of the energy commission, Yu Qiuli.

Compromise

Yu is an example of the compromise between different interests Deng may have to make. His background—he has been by turns army general, oil minister, chief planner (under Hua), as well as energy minister—suggests he may be favoured by a number of lobbies, not all of them by any means pro Deng.

Compromise, but in general in Deng's favour, seems to have been the outcome of the important 12th Party Congress in September. Deng's first gain was the abolition of the post of chairman, which took one more step towards ridding the party of the shadow of Mao or any future usurper.

The central committee was spring-cleaned, appointing new members and despatching some of the old to the newly created Central Advisory Commission, intended as a prestigious but toothless home for the elderly. Deng himself took up the CAC chairmanship and retained his important post as chairman of the Military Commission.

He had less success with the Politbureau, since, contrary to expectations, the elderly Ye Jianying and Chen Yun, both of whom are believed to have bad some reservatinns about his policies, did not retire.

However, seven new members and two alternatives, most of whom—notably the vice premiers Wan Li and Yao Yilin—are strongly identified with his policies, were appointed. Former Chairman Hua Guofeng fell to ordinary Central Committee level.

As important as the personnel changes were the structural alterations in the party. Dropping the posts of chairman and vice-chairman gave the secretariat, and its general secretary, Hu Yaobang, Den's chief benchman and previously chairman, much more power. It may in fact now outshine the Politbureau standing committee since it holds the power to convene meetings of the Politbureau.

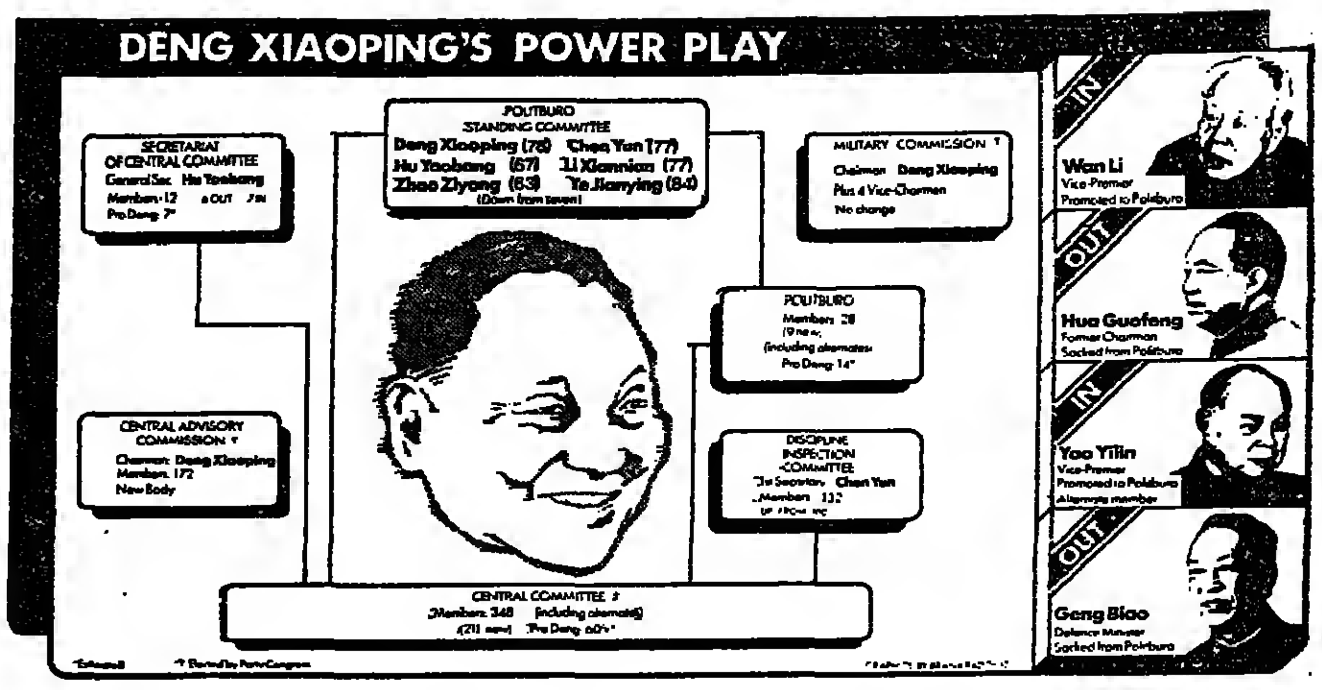
Shake-up

These party changes followed on a drastic shake-up benefiting Deng's supporters in the Government bureaucracy last spring. Ninety-eight Government ministries and commissions were cut to 52, and their staff reduced by a third. At the pinnacle remained Premier Zhao Ziyang, himself one of Deng's men, and two vice-premiers, Wan Li and Yao Yilin, out of the previous 13.

At the same time the punishment of leading Leftists in the provinces has been widely publicised in recent months. Peking, Shanghai, Yunnan and Hunan have all seen trial and condemnation of Gang of Four supporters. This argues some movement in the difficult business of eliminating covert Leftists who, as the Chinese Press regularly admits, still permeate society.

All these steps will undoubtedly make for more progress towards the kind of modernisation Deng seems to have in mind and towards a more stable society. But much depends on whether he has the time to set them on a secure footing.

The conflicting forces in the leadership and in the country at large, plus the remnants of Leftism, will militate against it. The disillusion with Communism at all levels of society which the official Press continually laments is an additional factor. China is in a rough and ready state of balance now, but the future could be precarious.



Policy-making becomes increasingly complex

Search for a balance is the new theme

THE ACCESSION of Yuri Andropov to the top job in the Soviet Union following President Brezhnev's death may open a new era in Sino-Soviet relations.

The Chinese Minister, Huang Hua, who went to the funeral was the highest level emissary Peking has sent to Moscow for nearly 20 years. Huang said in Moscow be was "optimistic" about future Sino-Soviet talks. Although be has now been replaced, apparently for bealth reasons, as Foreign Minister, the Chinese are expected to continne the rapprochement—thougb possibly with more caution.

Over the past 12 months Peking appears to have made a fundamental shift in its position, distancing itself from the U.S. and perceptibly approaching its adversary of 20 years, the USSR.

In a change fcom past practice, Peking now labels the U.S. a superpower, along with the USSR.

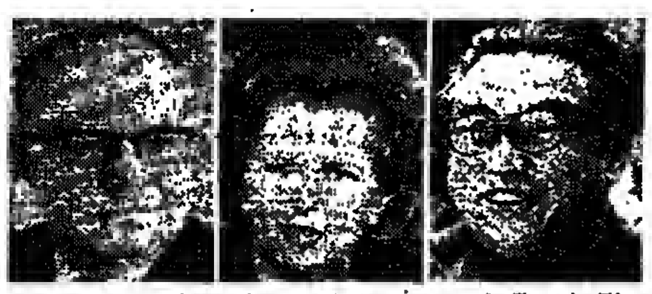
The new trend is to bid for Third World support and see the split more as between the superpowers and the rest, or rich and poor.

Peking's policy-making bas become increasingly complex, trying to respond both to nationalistic sentiments such as the desire for the return of Taiwan (and perhaps even Hong Kong) and to domestic needs such as the requirements for foreign investment and trade.

Threatened

While it may be the hardliners in the leadership who give priority to the first and tbe pragmatists who prefer the second, progress so far has not jeopardised any of these objectives.

A search for balance *is* the new theme. Foreign leaders, from Kim Il Sung of North Korea to Gbadaffi of Libya to Britain's Mrs Thatcher, have recently trooped through Peking. Soviet Deputy Foreign Minister Leonid Ilyichov came in October, to be *followed* soon, it is widely believed, by the new U.S. Secretary of State George Scbulz.



Russia's Ilyichoo, Britain's Thatcher and North Korea's Kim: foreign leaders who have visited Peking during the recent re-adjustment of foreign policy

FOREIGN POLICY
COLINA MACDOUGALL

Peking's basic premise is still that the USSR is the world's worst tbreat to peace. It feels increasingly threatened by the Soviet spread into the Pacific. But it recognises that it would be good for China to reduce tension on tha Sino-Soviet border and, correspondingly, to take steps towards the eventual recovery of Taiwan even if this means a brusb with the U.S.

Since Chairman Mao died in 1976, Moscow bas been pressing the Chinese for a rapprochement. Initially Peking paid no attention. It was carried away on the crest of a pro-Westero wave, partly induced by the bope of unlimited Western technology with which to modernise. But in 1878, talks began on improving state-to-slata relations, only to be broken off wheo the USSR invaded Afghanistan.

Since then Chinese expectations of the West have cooled as problems, particularly in its relationship with the U.S., began to surface. It is hardly surprising that this year it bas responded to Moscow's overtures, made most tellingly by President Brezhnev himself in Marcb and again in September.

The Chinese labelled their talks in October this year with the Soviets as merely "consultations." Nothing tangible beyond an agreement to continue discussions in one another's capitals resulted. Yet a new attitude has been emerging throngbout this year.

As Cbina cautiously accepted Moscow's initial suit, its relationship with the U.S. went *through its biggest test yet.* The questioo of U.S. arms sales to Taiwan, shelved when Peking-Washington contacts were normalised with an exchange of ambassadors at the end of 1978, reemerged in late 1981 and brought the Chinese to threaten a "retrogression" in their relations.

Negotiations

They were partially mollified when the U.S. agreed in January not to sell the F16 advanced fighter wbicb Taipei had been asking for. But it took painful negotiations until August to reach agreement that provided U.S. sales were eventually phased out, Wasbington could continue to supply weaponry in previous quantities and qualities.

No sooner was the August pact signed than other controversial issues surfaced. Trade questions — Chinese complaints about bureaucratic delays in supply of U.S. high technology and American protests at alleged Chinese dumping of items like mushrooms—moved at unce into the limeligbt. Peking continues to hammer away whenever opportunity occurs at the Taiwan Relations *Act* which codifies the U.S.'s present links with Taiwan, including the defence commitment.

At the same time China's relations with other important Western partners suffered some strain. In August the Cbinese berated the Japanese for whitewashing their atrocities during the Sino-Japanese war of the 1830s and 1940s. In September the discussion of *Hong* Kong's future opened in Peking by Britain's Mrs Tbatcber caused some uneasiness.

Individually these issues have little in common but collectively they suggest that Cbina's relations with the West may bave a rougber ride over the next year or two than anyona might bave predicted earlier.

To balance these shifts and gain new support, Cbina bas begun to present itself as spokesman for the Third World.

In this, as in other areas, the degree of change is small so far but the oew outlines bave been drawn.

Authorities face uphill task to clear up confusion

FOREIGN INVESTMENT LAWS

STANLEY LUBMAN

IT SEEMS highly unlikely that certainty in relations between foreigners and Chinese on questions of trade and investment can grow appreciably in the near future. Although efforts by Chinese authorities to develop a meaningful legal framework continue, they are beset by deep-seated problems caused by the Chinese bureaucracy, changes in policy, and slowness in filling the previous legal vacuum.

In the bureaucratic realm, neither new laws nor the administrative reach of Peking can satisfactorily restrain the vigour with which certain provinces and localities exercise the considerable autonomy in foreign trade affairs which they were granted several years ago.

A modest illustration is the trade in canned mushrooms. U.S. domestic growers and importers of canned mushrooms from Taiwan and Korea have mounted a vigorous attempt to limit imports of highly competitive canned mushrooms from China. They first sought to persuade the International Trade Commission to recommend that the president impose quotas, high tariffs, or both. In the second round of the attack, a petition was recently filed charging China with "dumping" in the U.S.

However, the basic problem, according to some traders and knowledgeable Chinese officials, is that although China's export prices for the produce are supposedly fixed in Peking, several provinces with special autonomy, such as Fujian and Guangdong have devised creative means for evading the capital's control by varying the terms of sale.

Peking authorities have been unable to restrain the recalcitrant provinces, which are keen on earning foreign exchange. More generally, although the Ministry of Foreign Economic Relations and Trade is trying to recentralise the trade apparatus, tugging and pulling is likely to continue.

A second problem, changing policies, continues to affect arrangements made by foreign investors who relied on laws and policies which were in effect when they signed their contracts.

Hitachi, of Japan for instance, several years ago established a widely-publicised joint venture for the manufacture of television sets in Fujian Province. The venture was notable when the contract was signed because the parties agreed that large quantities of the sets produced by the joint venture factory were to be sold in the domestic Chinese market. Hitachi has recently been informed that, under new laws and policies, the only domestic market now available is limited to the province of Fujian and that sales elsewhere in China are no longer possible.

In addition Hitachi has been told to reduce production, export more than previously agreed and increase purchase of locally-sourced components.

Policy changes may be in the offing in the special economic zones in Guangdong. Articles in the Chinese press describing the achievements of the zones and their success in attracting foreign investment have taken on a noticeably defensive tone.

Wishful thinking

In an article published recently in a Hong Kong, Chinese-language newspaper, an official of the Central Party School of the Chinese Communist Party wrote: "If anyone thinks he can push the special zone toward wholesale Westernisation and make the ugly and decadent things of capitalism 'specialised' in the special zone, he is indulging in an absurd piece of wishful thinking and will not have the consent of the people."

The campaign against economic crimes has been especially acute in Guangdong, where contact with Hong Kong and other foreign sources of expertise and capital has also led to bribery, other forms of economic corruption and the unwilling importation of the "spiritual opium" of decadent bourgeois values.

The seriousness of these problems, and the possibility that control will be tightened, is suggested by the fact that the Peking leadership has recently created a "special office" in charge of the special economic zones in China's state council, the leading central government administrative body. Premier Zhao Ziyang is in charge.

Clearly the free-wheeling zones are being closely watched.

Policy interacts with legal problems in the petroleum area. The companies bidding to explore for oil in China's offshore areas will probably meet considerable difficulties created by the understandable Chinese desire that they purchase goods and services of Chinese origin. The oil companies want to use competitive bidding, in which quality and ability to deliver promptly are major factors in determining the award of contracts.

China's National Offshore Oil Corporation, CNOOC, has tried to meet common needs by creating joint ventures with experienced foreign firms to manufacture needed products such as supply boats and offshore platforms in China. However, experience with equity joint ventures to date suggests that problems of difference in management style, delays, and quality control are likely to arise, especially in the early stages of the ventures.

Pollution

Chinese authorities emphasise that they are working hard to develop the legal rules needed to guide foreign investors and Chinese officials alike, especially in matters related to petroleum. But the task of defining standards of conduct in theory is easier than applying them consistently in practice.

For example, China is concerned about problems caused by environmental pollution but it has not yet developed consistently enforced pollution standards which the oil companies can understand.

CNOOC is correct in principle when it insists that the oil companies must obey Chinese law while they are engaged in activities in China. But the environmental area (recently further complicated by promulgation of a new maritime environmental protection law) only illustrates a larger problem. How can foreigners know which Chinese laws, of the many thousands promulgated since 1949, some of which are secret, they must obey?

When questions of interpretation are raised, as they are frequently in connection with recently-issued tax laws, Chinese agencies, such as the Ministry of Finance, have not been able to respond quickly enough.

Sometimes foreign observers have the distinct feeling that however widely the web of rules is woven, Chinese and Western conceptions of the function of the rules will remain different for a long time.

Chinese officials and legal scholars with whom these problems are discussed often seem to regard the admittedly formidable task of drafting and promulgating new laws as much more than only an initial step in creating meaningful rules with nationwide application.

Such confidence seems to underlie the oft-repeated assurance that Chinese laws will protect foreign investors. The laws on their face value echo that aim, but necessarily leave much to interpretation. At the same time, the concept of law as a process is one that has not yet achieved widespread recognition in China.

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Difficult path ahead but Peking and London aim to avoid controversy

Tidying up a relic of history

HONG KONG

ALAIN CASS

"THE TROUBLE with you British," said a well-placed Chinese official in Peking, "is that you think that you're the only ones who can run Hong Kong."

The remark, made shortly after the visit to China by Mrs Margaret Thatcher, the British Prime Minister, is illuminating for two reasons. First, it is clearly a possible foretaste of things to come. Second, its somewhat defensive tone underlines the sensitivity of Chinese officials towards not only this issue but all those which, as they see it, touch on China's national pride.

The issue of Hong Kong, much like the question of Taiwan, is essentially one in which nationalist sentiment rather than expediency and self-interest plays the dominant role. Common sense and China's growing needs for foreign exchange would dictate that Peking leave things as they are or, at worst, content itself with reclaiming titular sovereignty in 1997 while allowing the present free-wheeling, Western-style system to carry on much as before.

China receives 40 per cent of its precious foreign exchange earnings from Hong Kong and, as the effects of Deng Xiaoping's open-door policy begin to bite, the need for more foreign technology increases the demand for hard currency.

Instead China's leadership, stung perhaps by Mrs Thatcher's tough stand on sovereignty, have staked out a hard opening bid in the talks which revolve around the 19th century leases negotiated by Imperial Britain and Manchu China.

One lease, covering 90 per cent of the territory, runs out in 1997. The others state that the tip of Kowloon, Hong Kong Island and Stonecutter's Island were ceded to Britain in perpetuity. China, however, regards all these relics of the empire as invalid, claiming they were negotiated under duress at a particularly shameful period of Chinese history.

China's reaction to remarks made by Mrs Thatcher after her talks in Peking, in which she defended the validity of these leases, suggest that not only is this conviction deeply held by the country's ageing leadership but that Hong Kong has emerged as a sensitive and possibly controversial issue in the continuing struggle between Deng Xiaoping and his opponents.

In much the same way that Deng appears to have been forced to take a hard line in talks over American arms sales to Taiwan earlier this year—to the point of endangering 10 years of improving relations with the U.S.—so he is compelled to stand firm in his demands for Chinese sovereignty over Hong Kong.

It seems clear from the few remarks made by Chinese officials since Mrs Thatcher's trip in September that China intends to recover both territorial sovereignty and what it calls management sovereignty of the territory.

What is still not clear is how far down the road to administrative sovereignty the Chinese want to go and how much room for manoeuvre they have left themselves and the British Government in the secret talks now under way.

Various ideas ranging from joint management of the colony to the formation of what some officials called a joint-venture company between China and Britain to run Hong Kong are being canvassed.

There have been suggestions that the Hong Kong Chinese, as "competitors" and people who understand what makes the colony tick, may be asked to take over running part or even the whole territory after 1997. Hong Kong would then be turned into a "special, special economic zone" within China to allow it, constitutionally, to function as a capitalist enclave.

In between this and full-blooded Chinese take-over, however, there could be considerable room for compromise. Both sides have stressed their desire to keep Hong Kong prosperous, capitalist and stable. It is likely that, after the somewhat unfortunate start to these complex and dangerous negotiations, both Britain and China will go out of their way to avoid further controversy.

However, because the issue of sovereignty is so important to both sides and because the confidence which has made Hong Kong a booming business centre is brittle, tidying up this relic of history is likely to prove difficult.

Kader's toy factory in the Shenzhen Special Economic Zone, now one of China's most efficient production lines. Kader moved from Kowloon to get the benefit of lower wages and site costs

Ideological qualms begin to surface

Red tape and taxes cut to lure investors

SPECIAL ECONOMIC ZONES

ROBERT COTTRELL

CHINA established its four special economic zones in 1979-80 as a preferred bridgehead for inward foreign investment in the manufacturing and processing industries. All are in the south of the country: Three—Shenzhen, Shantou and Zuhai—are in Guangdong Province; the fourth, Xiamen, is in neighbouring Fujian.

The rationale behind the choice of zones lies in their close connections with overseas Chinese investors. Shenzhen is just over the border from Hong Kong. Zuhai abuts Macao. Shantou (also known as Swatow), and Xiamen (Amoy) are both historic centres for the emigration of Chinese families overseas to Hong Kong, Singapore and Malaysia.

Shenzhen and Zuhai are officially designated for multi-purpose economic development including industry, agriculture, commerce, housing and tourism. Xiamen and Shantou are expected to develop processing as their main source of income, to be supplemented by tourism. Certain special zone rights have also been accorded recently to Hainan, the island which lies off the south China coast to the south-west of Hong Kong.

The special zones offer what is intended to be an attractive fiscal climate to the foreign investor. Taxation, according to the Guangdong SEZ regulations, is levied at a usual rate of 15 per cent (1.5 per cent lower than Hong Kong's corporate profits tax), while special preferential treatment will be given to large, higher-technology or capital-intensive projects.

Labour policy

Attempts are made to simplify the often stifling bureaucracy encountered elsewhere in doing business in China. Entry and exit procedures are promised to be more convenient—Hong Kong and Shenzhen are currently working on additional border-crossing facilities, while Shenzhen is also hoping to keep its border open later in the evening.

The Guangdong authorities are also striving to accommodate foreign desire for a more flexible labour policy. The problem from the employer's point of view is the legacy of China's iron rice-bowl policy, whereby a worker with a job is more or less guaranteed permanent employment regardless of productivity.

Employers are now getting a say in the hiring and firing of SEZ workers.

Shenzhen is by far the most developed of the SEZ's largely because of its position adjoining Hong Kong. Some U.S.$1.5bn of investment has been committed to the zone, 90 per cent of it from overseas Chinese.

Shenzhen is seeking to emulate Hong Kong's development, rather than complement it.

While Hong Kong might like to see Shenzhen aim for a heavier "upstream" role, with perhaps a precision foundry, for instance, Shenzhen wants light industry such as electronics manufacture and assembly. To attract investors it is prepared to offer land at little more than nominal rents.

Connections between Hong Kong and Shenzhen are constantly strengthening. Hong Kong banks are progressively opening up in the zone. A Hong Kong property group, Hopewell Holdings, has signed a letter of intent for a HK$2.4bn highway linking Hong Kong and Guangzhou (Canton). Hong Kong capital is involved in the construction of some 60 high-rise buildings in the zone.

Zhuhai SEZ covers 6.8 sq kms north of Macao. Its master plan calls for 45 per cent of its area to be devoted to industry, 17 per cent to residential, 5 per cent to scientific research and and the balance to recreational and transport facilities.

The major investment commitment to Zhuhai so far has come from three overseas Chinese families grouped in a Hong Kong company called Gladhover.

Shantou, the third Guangdong SEZ and the smallest, is just 0.8 sq kms in the northeast of the province.

Shantou SEZ is at the moment preoccupied with the provision of industrial infrastructure—electricity, water and telephones—and has little industry to show yet.

Xiamen, the newest of the zones, was approved by the state council in October 1980. It is in Fujian, connected by boat with Hong Kong, and just over the water from the nationalist-held island of Quemoy.

Xiamen offers investors tax concessions and joint venture profit-splits undercutting those on offer in Guangdong. But more important for attracting investors is likely to be the provision of more efficient communication facilities to Hong Kong.

An airport is being constructed and Dongdu Harbour, the deep water port which is one of Xiamen's main potential attractions, being expanded to cope with ships of up to 50,000 tonnes.

Chinese press reports indicate that the development of the SEZ's has been accompanied by some ideological qualms. "Some comrades," said a feature article in a September People's Daily, "still harbour doubts or even negative feelings towards the setting-up and running of special economic zones."

"These doubts manifest themselves in two basic ways. One is a fear of the special economic zones becoming concession areas and colonies. The other is a fear that the presence of the special economic zones will allow unbridled corruption."

Doubts regarding corruption are countered in the People's Daily by the argument that the phenomenon is neither confined to nor caused by SEZs. On the colonial argument, a sensitive one as China negotiates with Britain the future of Hong Kong, the newspaper argues that "within the special zones, the People's Government still exercises its authority, and overseas traders and foreign-supported enterprises must abide by the laws of the country and the special rules of the economic zones.

"As long as we remain clear-headed and follow the principles and guiding methods of central government, there is no danger of such areas becoming concession areas or colonies."

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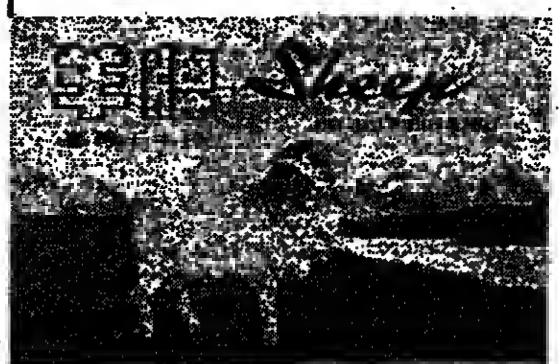

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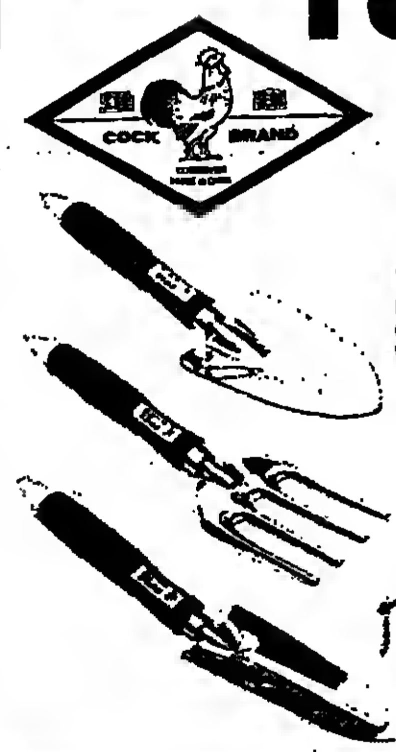

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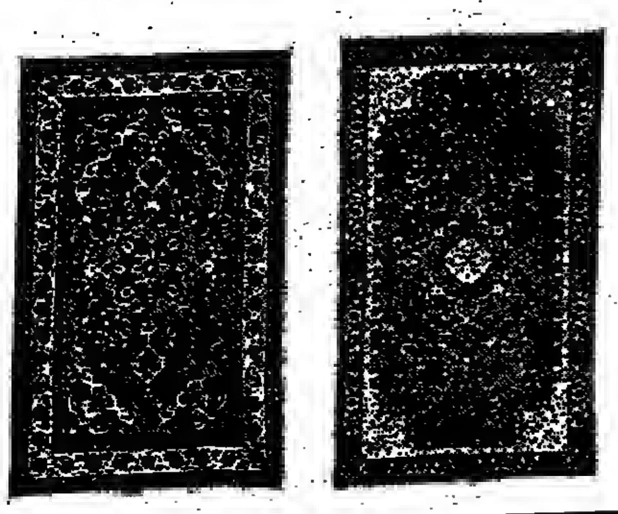

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Financial Times reporters profile three leading industrialists and a senior official of the Ministry of Trade

Xu Banfei: likeable combination of academic and statesman

XU BANFEI: GENERAL MANAGER OF SITCO

An improbable official

XU BANFEI is a most improbable Chinese official. He talks freely about "inertia in government," about "selling ideas," about "solving problems."

He sits in his office in Shanghai and adds with a slight shrug of his shoulders: "You know in China people are used to handling things in the old ways. We, on the other hand, in Shanghai are quite used to adopting new ideas."

Xu, a likeable combination of the academic and the salesman, is one of Deng Xiaoping's front-men, a survivor of the Cultural Revolution charged with the difficult task of selling China as a viable, safe and profitable proposition to foreign investors.

As general manager of the newly-created Shanghai and Investment Trust Corporation (SITCO), his job is to identify the needs of China's largest city and major business centre, attract the necessary investment, find the right local partner and get projects moving.

"We see ourselves as co-ordinators, financiers, equity investors and consultants," says Xu. In its 18-month existence SITCO has clinched seven joint-venture projects.

These include four in urban construction—two hotels, one office block and an apartment building—and three industrial projects. All have been signed and are valued at US$100m, the foreign money coming chiefly from Hong Kong and the U.S.

"It hasn't been easy," says Xu who speaks excellent English and is one of the many officials who foreigners are likely to have regular dealings with. "It's a new time for business and we are building on a bare piece of land. It will take time, to make contacts, build up our expertise. We know we can't dictate to people. We have to accustom ourselves to western ways."

But Xu adds for good measure "Neither can we allow others to dictate to us." He seems aware of China's central dilemma, namely how to modernise its ancient economy by injecting carefully-controlled doses of foreign technology without, at the same time, undermining the country's socialist principles.

Xu claims a high success rate as a problem solver in China's cumbersome bureaucratic process. He says that he not only has direct access to Shanghai's powerful mayor, Wang Doahan, but also to officials in Peking.

At present SITCO can only authorise projects valued up to U.S.$5m. Anything above that has to go to Peking for clearance. The major project on SITCO's books at the moment is the proposed development of an enclave for foreigners on the city's outskirts and a related industrial development. It is also discussing with VW of West Germany the possibility of producing cars in Shanghai as well as major deals with Britain's Pilkington Glass and America's Revlon Corporation.

Recently Xu has taken to sending some of his staff abroad on familiarisation courses. One staff member spent a year at the University of Columbia studying Western legal practices and two more at doing the same at other U.S. institutions.

Says Xu, echoing another major concern of foreign businessmen, namely China's relative lack of a sound legal framework within which to do business and take risks: "We have to be more aware of the legal side of things."

Xu acknowledges, however, that there are political limits to what he and SITCO can achieve. Which is why, in the final analysis, his success may depend not so much on his undoubted talents as a salesman but on the willingness of his political masters in Shanghai and Peking to let him use them.

Alain Cass

Wei Yuming: his approach impresses foreign businessmen

WEI YUMING: A VICE MINISTER OF TRADE

Flexibility wins friends

EARLY THIS year, China created a new "super" trade ministry as part of its reform of the bureaucracy. The new ministry under Madam Chen Muhua incorporated the old Ministry of Foreign Trade, the Ministry of Economic Relations, the State Administrative Commission on Import and Export Affairs and the state Foreign Investment Commission.

Under Madam Chen, the highest ranking woman in China's state apparatus, a number of vice ministers were appointed to take care of important segments of the new trade ministry's business. Wei Yuming, was given the job of drumming up foreign investment in China.

Vice minister Wei, who wears glasses and looks younger than his 58 years, has made a good impression on foreign businessmen with whom he has dealt. A word used to describe him by one prominent China trader is "trustworthy."

Wei was the most prominent Chinese official at an investment seminar in June this year. The seminar, sponsored by the Foreign Economic Relations and Trade Ministry and the United Nations Industrial Development Organisation, was aimed at attracting direct foreign investment in Chinese enterprises.

Wei believes the UNIDO meeting was a success. He points out that about 76 letters of intent were signed during or after the symposium. He expects a number of deals to result.

Not much is known about Wei's early career. His first prominent official appointment appears to have been that of economic counsellor in 1965 at the Chinese Embassy in Ghana.

Wei held official posts in the Chinese Government in Peking during the Cultural Revolution but disappeared on occasions, first in 1971 and then in 1974. This suggests that things did not go smoothly for him during the years of turbulence.

Wei was appointed Vice Minister of Economic Relations with Foreign Countries in 1977, a position he held until the Ministry was merged this year with Foreign Trade. Wei has travelled overseas on a number of occasions and is obviously considered "good" at dealing with foreigners. Hence his responsibilities for foreign investment.

Foreign businesses have been impressed in their dealings with Wei that he has appeared willing to be flexible in his approach to their difficulties.

Tony Walker

ZHAO SHENGZHEN: VICE PRESIDENT OF CNOOC

One of the new Chinese

Zhao Shengzhen: intelligent and capable

ZHAO SHENGZHEN, the urbane Vice President of the China National Offshore Oil Corporation, speaks better English than his interpreter. He still prefers to use him, though, ostensibly to allow his staff to follow the discussion but more likely because the translation time gives him a few moments to think out his reply to our questions.

He appears used to Western journalists. A pleasant and humorous man, he offers to give us a "brief introduction." When we ask if we may instead put a few questions to him he smiles resignedly and puts away his notes.

Zhao does not need notes to talk about the oil industry. He can field the queries perfectly well and shoot a few back in return. He's an encouraging product of the new China, intelligent and capable.

Born in 1924, he majored in chemical engineering at Qinghua University and has worked in oil ever since. "I didn't study in the U.S. or Europe, and I haven't had much chance to visit foreign countries." Over the past couple of years, though, he must have dealt with hundreds of the world's oilmen.

He gives a reasoned explanation for what some foreign oilmen see as a possible cause of friction in the contract conditions for offshore exploration.

On the vexed question of the requirement for foreign oil companies to use Chinese labour and services where competitive, he points out "foreign companies are worried their efficiency might be affected and production slowed, but we're in the same position.

"The CNOOC also needs efficiency and we too have to make money and pay taxes. If we can't make a profit we can't expand as a company."

C. MacD.

Lecturers tackle poor planning and incompetent management

Teaching factory bosses to think

DALIAN INSTITUTE OF TECHNOLOGY

TONY WALKER

A LARGE granite statue of Chairman Mao Tsetung greets visitors to the Dalian Institute of Technology, home of a department teaching American management methods to Chinese factory bosses and central government bureaucrats.

The visitor wonders what the late chairman would make of courses in enterprise management offered by the National Centre of Industrial Science and Technology in this pleasant northern Chinese port city by professors from America's great business schools — the MIT, Stanford and Columbia, among others.

Also involved from time to time in courses at the Dalian Institute under an agreement signed in 1979 by the U.S. and Chinese governments are businessmen from companies like Exxon and IBM.

Asked how the school reconciles differences between Western management methods and those of Marxist China, Xu Pangzhou, the director, says: "Here we're not making a comparative study: what we're trying to get is what is useful to apply to our own situation."

Chinese management has long suffered from problems common to centrally planned economies, notably severe restrictions on the activities of individual factory bosses. Until recently, a plan was laid down and was expected to be followed to the letter. There was little incentive to improve the quality of the product or to creatively market it.

In late 1978, China began an experiment which allowed more than 6,000 state enterprises a degree of autonomy in an effort to encourage greater productivity. The selected enterprises constitute 60 per cent of the national total and contribute more than 70 per cent of state revenues from industry.

The experiment has had its problems, such as overproduction in some industries which resulted in 1980 and 1981 in the stricter enforcement of central planning requirements, but on balance it appears the responsibility system in industry is achieving results.

One of the serious weaknesses of China's industrial system is lack of qualified and innovative managers. The system, with its frequent and sometimes convulsive ideological twists and turns, has not encouraged managers to be enterprising.

At Dalian, middle level and senior Chinese factory managers are learning a new language of management in their three to six months at the school. They are being taught Western concepts about supply and demand, opportunity cost, competition, strategy planning and pricing in managerial economics.

Professor Bill Newman of the Columbia School of Management in New York finds there is a big gap between Chinese and Western management thinking. "I get a lot of questions about who really does the planning," he says. "Nowadays in the U.S. it is very fashionable to push decision-making down the line, but decentralisation versus centralisation is a tough concept to convey to a Chinese manager used to following a strict plan laid down by the state."

American teachers have found that their students have only a hazy idea about such basic notions of Western enterprise management as the "time value of money" and "return on investment capital." Students also have only a limited understanding of how the market system works.

Dalian, which began taking students in August 1980, is claiming successes in the application of lessons learned at the school. Director Xu gives the example of Wang Zhaoguo, a student from one of the first intakes, who implemented some of the methods taught at Dalian at the number two automobile factory in Wuhan, central China.

Wang changed the factory's approach in its manufacture of five tonne trucks from being completely production oriented to one where it was also concerned about marketing. The trucks were re-designed so that per unit cost was lowered, fuel use was improved and load capacity was increased. The factory also offered service facilities in 89 places in China.

Last year, the factory's production showed a significant increase and profits were well up. Wang became the first of the Dalian alumni to be elected to the Communist Party Central Committee.

Professor Newman says that one of the problems facing American teachers is that Chinese have been cut off for so long from Western thought and practices. This means a lot of time is spent describing what actually goes on in the West by way of background before teachers are able to get down to discussing specific management topics.

American teachers find their students almost never question what they are being taught. "Their whole education system has been one of lectures and students taking notes. There is a traditional deference to teachers," Professor Newman says. But he adds: "We're certainly making progress in teaching students to think."

Kong Xun: impeccable revolutionary credentials

KONG XUN: HEAD OF THE COAL DEVELOPMENT CORPORATION

'Call me Mister Coal'

KONG XUN is an old revolutionary with a difference. This probably explains how he has survived into the era of the pragmatic Deng Xiaoping to be head of China's crucial National Coal Development Corporation and deputy chairman of the China Southwest Energy Development project.

"If it's mining development you're after, come to me. I'm China's Mr Coal," he said recently to a foreign official.

Kong Xun has the assurance of a man with impeccable revolutionary credentials (he joined the long march when the communist army passed through Sichuan in the late 1930s). This is balanced by a painstakingly-acquired background in geology which he studied when posted to the coal ministry soon after the communist victory in 1949.

"Deng Xiaoping is a friend of mine," he says, a claim borne out by his posting to a key job in China's energy development where the ability to negotiate with foreigners is important.

During the Cultural Revolution he was despatched to the countryside to do farm labour, but he claims this was good for his health.

"The Gang of Four tried to overthrow me but fortunately they were the ones that were overthrown."

Mr Kong is pragmatic enough in his outlook to feel that old and young should learn the lessons of the 10 terrible years of the Cultural Revolution. "Time, which should have been spent on developing industry, was wasted, he says.

All the same there's a streak of hardline dogmatism in him. When we arrived to interview him at his office the stairs and landing outside the visitors' reception room were lined with Coal Development Corporation officials, pencils and paper at the ready, patiently listening to a deafening broadcast of the documents of the 12th Party Congress. They were still there an hour later when we left.

While political study is again enforced these days after the relaxation following Deng Xiaoping's accession to power in 1978, it does not normally take place in office hours.

Kong has also displayed a surprising reversion to the theories of ex-chairman Hua Guofeng, savaged for his rash economic development plans of 1978. At that time, Hua was the spokesman for a clique of heavy-industry-oriented leaders who wanted to catapult China into prosperity within a decade.

Echoing Hua's pronouncements of that time, Kong said: "It only took West Germany 10 years to become a modern industrialised country. If West Germany can do it, so can China."

The continued existence of this view at such a high level suggests that Deng's more cautious economic policies are under some pressure from officials who would still like to go all out for growth.

Colina MacDougall

The country's decision to give more scope to export-orientated industries is paying off

Signs of better times ahead for businessmen

TRADE AND FOREIGN INVESTMENT

TONY WALKER

DOING BUSINESS in China continues to be a test of ingenuity, negotiating skills and, most of all, patience. "While things are moving a *little faster* now, they're still incredibly slow," was the comment of one experienced China trader.

Euphoric expectations in the world business community about trade with China were replaced long ago by the realisation that dealings with the Chinese are a long, hard slog. There are, nevertheless, *promising indications, despite* the world recession, for foreign companies interested in doing business with China.

The Chinese trade performance this year will be good. The country will record at least a U.S.$2bn trade surplus and its foreign exchange position strengthened markedly in the third quarter of this year. From a figure of a little more than $5bn at mid year, reserves could reach more than $10bn by the end of 1982.

China's period of readjustment instituted in 1979 and strengthened in 1980 appears to have achieved some of its objectives. Certainly, China's decision to give more scope to export-orientated industries is paying off.

Politically, the recent 12th communist party congress showed that the moderates in the leadership have gained an endorsement for the "open-door" policy, but not all senior Chinese officials are enthusiastic.

Stumbling block

A stumbling block over the past few years in the way of many business deals was China's refusal to utilise commercial loans available to it. In recent months there have been indications that the Chinese are becoming more flexible on this point. But their borrowing policy will continue to be extremely conservative.

Wei Yuming, a vice-minister of foreign economic and trade and the man responsible for the implementation of the policy aimed at attracting foreign investment, made it clear in a recent *interview* that China is not about to make much use of commercial funds. Wei indicated that China planned to spend $20bn in its sixth five-year plan (1981-1985) on foreign purchases, but most of this money would come from governmental and semi-governmental sources.

Foreign bankers are critical of what they consider to be China's short-sighted policy on the utilisation of commercial funds. They say China will have to go to the commercial market to fund ambitious development schemes in the energy sector.

A group of European bankers and businessmen were told in Peking recently that China would need between $20bn and $40bn to develop its coal and offshore oil deposits. "There is no way they can get that sort of money under easy credit terms," said one European banker.

To date, the level of direct investment in China has been disappointing. While there has been a lot of talk there has not been all that much action. Wei Yuming said that of the about *$1.6bn committed in contracts* about $1bn had actually been spent in direct foreign investment.

This is not all that impressive given the ballyhoo surrounding China's foreign investment drive. The Chinese appear to have been relatively unsuccessful in their efforts to attract investment in joint equity ventures. By June this year about 40 projects worth $182.9m had been approved, an indication of the small-scale nature of most of the projects.

Businessmen are saying that *there has been a decrease in* enthusiasm for joint equity ventures (as opposed to co-production agreements) because of tax and labour difficulties likely to be encountered. With the evolution of China's economic law, the climate for joint ventures should improve.

The most popular forms of investment in Chine are co-production, compensation and processing deals. Many of these are very small, but cumulatively they have given a significant boost to China's foreign trade.

There are those in the foreign business comunity in *Peking* who are optimistic about an increase in activity. "I think things ara moving at a rather good pace," says Jerome Cohen of tha New York law firm, Paul, Weiss, Rifkind, Wharton and Garrison. "There is now a steady amount of economic activity."

Cohen says that negotiations are getting easier as Chinese *officials become more experi*enced in the ways of foreign business. "In the past it was as thought you had to re-invent tha wheel every time you had a negotiation." Cohen says the Chinese are now more realistic in their approach to business.

Cohen cites as promising indications of a pick-up in economic activity as far as foreign *business is concerned.* agreements now being negotiated for off-shore oil exploration and for ventures associeted with the exploration programme.

There is also movement for foreign companies in the exploitation of China's coal reserves. Occidental, for example, is involved *in a feasibility study* of a deposit at Pingshuo in Shanxi Province, several hundred kilometres west of Peking, and a consortium of four European countries is exploring the possibility of a huge compensation coal deal in China's south west.

China has also ennounced it has decided in principle to go ahead with the construction of *a nuclear power plant in Guang*dong province in partnership with the Hong Kong Power Utility, China Light and Power.

If China's foreign trade continues to grow at a robust rate (tha increase between 1979-1981 was 62 per cent) the Chinese will have more reason for confidence in their dealings with the West after the false start of 1978-1979 when the modernisation drive was launched.

In 1978 China embarked on a number of grandiose projects euch as the Baoshan steelworks on fringes of Shanghai which were beyond the capacity of the economy to absorb. When the Chinese realised their mistake *they overreacted by cancelling* a series of contracts for Baoshan and other projects, most of which have since been reinstated.

TRADE BY PRODUCT

	1980 % of total	1980 Rmb m	1981 % of total	1981 Rmb m
Imports	100.0	29,880	100.0	36,770
Manufactured goods—including products of the machinery, light and textile, chemical and metal industries	65.1	19,452†	63.4	23,312†
Primary products—such as farm produce, food, minerals and raw materials for the light and textile industries	34.9	10,428†	36.6	13,458†
Exports	100.0	27,120	100.0	36,760
Manufactured goods—including products of the machinery, light and textile, chemical and metal industries	49.7	13,479†	53.4	19,630†
Primary products—such as farm produce, food, minerals and raw materials for the light and textile industries	50.3	13,641†	46.6	17,130†

† Figure extrapolated from percentages given.

Source: China's State Statistical Bureau.

TRADE BY COUNTRY
1981 U.S. $m

(U.S.$m)	Months covered 1981	China's export	China's import
Australia	(11)	314.3	597.5
Austria	(11)	40.0	42.0
Belgium/Luxembourg	(10)	142.4	105.4
Canada	(12)	180.3	823.6
Denmark	(11)	57.8	30.2
Finland	(11)	26.4	41.9
France	(12)	509.5	274.1
West Germany	(11)	710.	912.7
Greece	(10)	15.9	9.9
Iceland	(12)	1.9	—
Ireland	(11)	12.5	1.5
Italy	(11)	372.1	288.7
Japan	(12)	5,291.8	5,097.2
Netherlands	(11)	231.8	87.8
Norway	(11)	25.8	18.3
Portugal	(11)	9.9	6.6
Spain	(11)	99.3	68.0
Sweden	(10)	85.0	56.7
Switzerland	(12)	78.5	122.8
Turkey	(11)	1.2	17.1
UK	Exp.(4) Imp.(2)	73.5	79.8
U.S.	(12)	1,897.0	3,613.1
Yugoslavia	(1)	2.3	2.2

Source: Official statistics.

It's the real thing—America makes mark

THE U.S. PRESENCE

JULIENNE BOSTIC

AMERICAN COMPANIES have made a big impact on the trading scene in the wake of China's open-door policy.

Backed by decades of cultural links and a strong desire by the U.S. administration to use business as a bridgehead with which to draw China into a closer political relationship, American companies have made sustained efforts to establish themselves.

So much so that, in its own small way, American culture is beginning to dent the Chinese way of life.

Coca-Cola—manufactured in China—is consumed in vast quantities by those who can afford it, and in the fall of 1980 the symbol of American fad and fashion, Nike sneakers, also started running after China.

Mr David Chang, vice-president with Nike at its headquarters in Beaverton, Oregon, said that Nike has ambitious plans for the group's Chinese activities. "In the opinion of outsiders Nike's output in China has grown very quickly in two years, but Nike doesn't think it's grown fast enough." He also said that Nike expects a significant portion of its shoe products to come from China in the future.

Nike employs seven full-time managers in China sent from the U.S. While it has been said that Chinese-American businessmen would have an easier time doing business in China, these seven are not of Chinese descent. Mr Chang said that the most important factor was the language. He said that while someone more familiar with the culture might have a better understanding of Chinese values and form, it was knowing the language which made the greatest difference.

One of the problems with manufacturing in China, according to Mr Chang, is that a company is "subject to the whims of the government how much of its raw materials it can ship in to make its product. For example, if they aren't importing enough rubber we can't make our shoes." Nike's practice is to contract already existing factories to manufacture its product and the result is that the labour force is made up almost entirely of nationals.

Incentive can be a problem. In a socialist state a worker is paid the same, however hard he works. It's difficult to know how to motivate him.

This, says Mr Chang, creates a problem with incentive since an American management cannot fully understand what motivates a worker with an entirely different set of values and expectations.

"An American worker can be motivated by the promise of more money. You can say that if he produces twice as many shoes he'll get twice as much money. But in a socialist state the worker gets the same wages no matter how much he produces so it's very difficult to know how to motivate him. What are we going to do, put more rice in their bowls?"

When the Communists took over China they promised that every citizen would be guaranteed "a bowl of rice" no matter what his position. According to the National Council for U.S.-China Trade this is known as the "Iron Rice Bowl Syndrome" and guarantees that the "bowl of rice will never be broken."

One idea the Chinese are using is to reward the whole group for overall production success. For example, if a factory's output is greater than expected they receive a new television set for the employee recreation room. This system has come under attack, however, because it ends up rewarding even those who don't do their share of the work load.

Mr Chang said that "China is the first socialist country we've done business with. We've got to learn a whole different set of rules to play the game."

Another company taking the plunge in China is Atlantic Richfield which hopes to start drilling for oil in the China Sea by March or April of 1983. That will be the pay-off of four years of negotiations with the Chinese National Offshore Corporation. Robert O. Anderson, chairman of ARCO, signed the agreement at the end of September in the Great Hall of the People. Although no one is willing to specify the exact terms of the agreement it is understood that the exploratory phase is at ARCO's expense and risk.

"China is the first socialist country we've done business with. We've got to learn a whole different set of rules."

ARCO has an 80 per cent interest in the operation while Santa Fe Industries, the U.S. drilling and construction firm, has a 20 per cent interest.

How profits will be divided between the Chinese and the U.S. companies is unpublished, but it seems that most of the initial profits will go to pay back the oil companies' expense. After that profits will be split in an unspecified manner. ARCO's contract is for up to 35 years and then it is expected that the Chinese will take over the operation.

According to Mr R. E. Parr, an ARCO spokesman, ARCO is very optimistic about the area and believes the prospect of finding substantial reserves of oil is "promising." Estimates of how much oil actually lies beneath the China Sea range from a Chinese government estimate of between 10 and 20bn tonnes to Western estimates of 4bn tonnes of oil.

In the initial stages none of the Americans speak Chinese, which Mr Parr said was not a problem. Other companies have maintained the importance of the language factor.

ARCO is using its own engineers and geo-physicists but they are training the Chinese in engineering and in the common labour itself. Apparently, sharing of technological knowledge is part of the deal.

Mr Parr also said that there were no cultural biases on either side in working with the Chinese. "The Chinese," he said, "like to know you," and it's important to maintain the relationship through patience.

Ambitious target is achievable but the going will be tough

INDUSTRY
ALAIN CASS

CHINA'S industrial development in the past four and a half years has been marked by a stop-go policy. The net effect has been to delay the modernisation of the country's ageing industrial base, instill a sense of insecurity and uncertainty in foreign investors and cause confusion among officials whose chief concern has been to ensure their own survival by bending to the prevailing wind from Peking.

The mini-Great Leap Forward of February 1978, with the unveiling of 10 major steel and nine nonferrous construction projects, was followed within a year by massive cancellations when the full horror of China's economic situation became clear. The following two years saw further, savage retrenchment with growth targets set very low in an attempt to inject a note of realism and caution into economic planning.

A much higher priority was assigned to consumer welfare for political reasons with the result that, while light industry prospered, heavy industry, traditionally the engine of China's centrally-planned economy, fell back even further to the apparent consternation of its powerful lobby within the ruling apparatus.

This see-saw period in China's economic development may now be coming to an end. The strategy for the next 20 years, agreed at the recent 12th Party Congress, bears the hallmarks of a more balanced and sensible approach—at least on paper.

This follows a year in which the effects of the leadership's readjustment policy were clearly felt. Heavy industrial output fell by nearly 5 per cent while light industry, responding to the continued consumer boom, grew by 14.1 per cent. Overall industrial output grew by just over 4 per cent in 1981 despite notably poor performance of the energy sector where sliding production threatens continually to undermine China's modernisation strategy.

The see-saw period in China's economic development may now be coming to an end. The strategy for the next 20 years looks more balanced

Early 1982, however, saw a recovery in the heavy industry sector with the first increase in steel production for some time. According to China's State Economic Commission the first half of 1982 witnessed light industry growing at 8.5 per cent and heavy industry at a rate of 9.5 per cent—a remarkable turnaround if true and further evidence that intensive pressure from the heavy industry lobby for more funds is beginning to have its effect.

The revival of heavy industry is also an indication that the leadership realises that growth in light and heavy industry must go hand-in-hand.

Many major projects, cancelled in the two year retrenchment period following 1978, have been reinstated. This trend is likely to continue in 1983 when China plans a trade deficit partly to accommodate a marked increase in the import of foreign technology.

Mr Wei Yuming, the Vice Minister at the Ministry of Foreign Relations and Trade, pinpointed five major areas where China would be seeking to import complete foreign plants: coal, electronics, transportation, telecommunications and ports.

This, he said, was in line with the objectives of the next 10 years when China would be aiming to resume work on some major projects while concentrating chiefly on refurbishing existing enterprises to make them more efficient.

Mr Wei said China hoped to change the structure of its exports over the next 10 years. The aim would be to become a net exporter of oil and coal by the 1990s and, at the same time, challenge the Newly Industrialised Countries for industrial machinery markets of the developing world.

The major question mark which hangs over the development of Chinese industry is whether the goal laid down at the 12th Party Congress—quadrupling production by the end of the century—is a realistic one or whether the leadership has, yet again, allowed the Great Leap Forward mentality to take hold, sacrificing quality for quantity and efficiency for politically-inspired targets.

How realistic, for example, is it for China to expect its output of steel, cement, chemical fertiliser, paper and other key items to double by the year 2000 or the output of its fledgling machine industry to grow by 300-400 per cent as predicted by Fang Weizhong, Vice-Minister of the State Planning Commission in the same period?

On the face of its the goal of "quadruplication" within 20 years is not impossible. It implies a growth rate for the whole economy of around 7 per cent per annum. Chinese officials say this will be achieved in two stages.

Under the plan, the 10 years to the year 2000 will usher in a period of rigorous economic development with implied growth rates of 10 per cent

The first stage, the next 10 years, will be used mainly to lay the foundations of this Slow Leap Forward while the second, leading up to the year 2000 will usher in what is described as a period of vigorous economic development with implied growth rates of around 10 per cent.

This approach, in itself, suggests, a new realism born, as officials themselves admit, from the bitter experiences of the past 20 years.

The chief constraints, according to state planning chief Fang, are the need to extend economic readjustment for a longer period, improve China's hugely inefficient energy sector as well as its antiquated, and in many places, non-existent transport sector, raise the economy's technological base and build up the stock of trained manpower.

Even then Fang said, in a seminal talk on the strategy for the next 20 years, a number of "ifs" will determine whether the "quadruplication" goal can be achieved. He rightly identifies the core issue as "promoting those who are truly talented" and, by implication, not promoting those who owe their position to political influence or nepotism.

What is at issue here is coming to grips with the effects of a cumbersome state planning system superimposed on an inefficient industrial and management structure in which concepts such as cost-effectiveness, profit and incentives still play a very small part.

Just as important, however, is whether the massive new investments currently being planned for the critically important energy sector will be successfully implemented and arrest the slide in coal and oil production.

The other major question is whether the efficient use of that energy can be foisted upon an industrial structure which, on present showing, is a long way from being able to achieve the Government's stated aims.

A woman welder working on a bulk carrier being built in Shanghai for Sir Yo Ko Pao, Hong Kong's shipping magnate. China's shipping industry is now one of its major export earners despite the world slump in demand

Competition greatest for South China Sea sites

Tough talks expected on offshore contracts

OIL
COLINA MACDOUGALL

CHINA is likely to choose up to three foreign oil companies to start negotiations leading to contracts for offshore development in the first quarter of next year, Mr Zhao Shengzhen, Vice President of the China National Offshore Oil Corporation, told us in Peking.

"We shall pick the ones who've put forward the best bids," he said.

Mr Zhao expected the bid evaluation process at present going on in Peking to be completed by the end of November, or at latest the end of the year. Bidding closed for 43 blocks in the South China Sea, the Beibu Gulf and the Yellow Sea on August 19. Peking has received 102 bid proposals from 33 companies in nine countries.

Competition was intensive, Mr Zhao said, for certain blocks. No less than 13 companies had taken one block in the mouth of the Pearl River as their first choice. Interest was greatest here and in the South China Sea, not surprisingly since geologists around the world put it as likely to be the most productive, followed by the Beibu Gulf and the Yellow Sea.

Foreign companies were positive they could start drilling three months after contracts were awarded, he said. While the CNOOC plans to start with just a few contractors, he hoped that all 102 bids would be processed in the course of next year.

Only a handful of rigs are likely to be operating by end-1983, he indicated. These will probably be Chinese-owned, but where semisubmersibles are needed in the deep waters of the Pearl River area they will have to come from abroad. The only semisubmarsible in China is currently under repair.

Of the 33 companies bidding, 25 have formed consortia to spread costs and risks, Hong Kong reports say. These include Esso with Shell and Mobil with Union. Where small companies have made partial bids, the Chinese are expected to recommend forming consortia, though Mr Zhao repeated the Chinese position that they would not impose "forced marriages."

The CNOOC has been swamped by the volume of material comprised in the bids, observers say. They have brought in the Hong Kong-based CCIC Finance (a joint venture between the Bank of China, the Peking-backed company China Resources, First National Bank of Chicago and the International Bank of Japan) in a rare initiative to use consultancy services.

When negotiations do begin, they are likely to be tough as the offshore oil regulations and the model contract issued by the Chinese earlier this year contain provisions which many companies are wary of.

These include the fact that the model contract does not define in detail the production sharing formula, or how far the Chinese will participate in the equity (it could vary from nil to 51 per cent). Nor do companies like the lack of clarity on what was taxable and the provision that 100 per cent of the exploration risk was to be borne by the operator.

"Some bidding companies have put forward suggestions for modifying the contract and we've made a few changes" said Mr Zhao. This was in the general area of technology transfer, he indicated.

There was still concern about the delay that might ensue from the stipulation that preference must be given to Chinese equipment and services provided they are competitive, Hong Kong reports say.

In general the terms do not provide much incentive to invest in such an unknown area, especially with the present world oil glut. On top of that, some oil men are concerned about the permanence of contracts with the CNOOC, formed earlier this year to handle the offshore business. In recent years Chinese organisations have mushroomed and vanished in waves of bureaucratic changes.

The CNOOC proposes to discuss the problems with the handful of companies invited for negotiations to evolve a suitable contract which will then apply to all. "If one company can accept the contract, the others can too," said Mr Zhao.

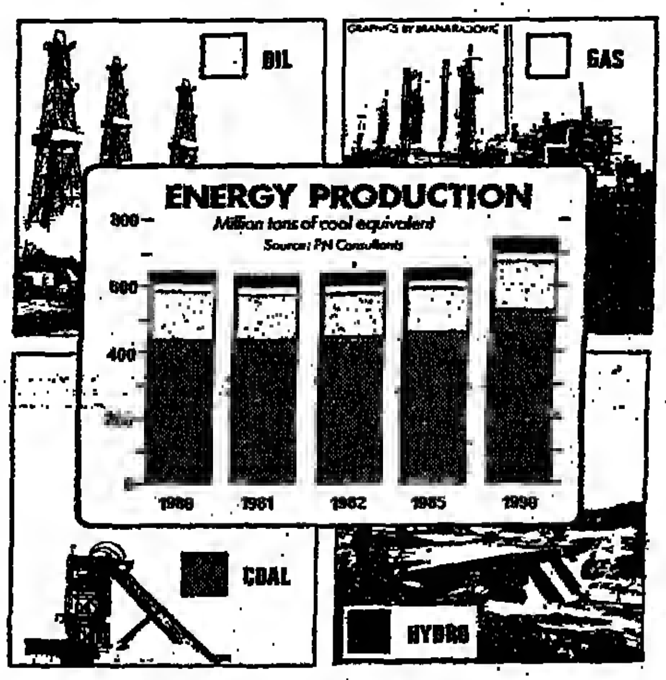
These will not be the first foreign companies to drill offshore China. Three, the Japan National Oil Corporation and a pair of French companies, Total and Elf Aquitaine, have been drilling for about two years with the first two already hitting oil. The U.S. enterprise Atlantic Richfield recently signed an agreement with CNOOC and expects to begin drilling next year.

The Chinese are not predicting when production from the blocks might begin. "That depends on science plus luck," said Mr Zhao.

It will be anxiously awaited. China's crude oil output peaked at 106m tons in 1979 and has fallen since to 101m in 1981. The drop is likely to continue as China's old onshore fields are declining and there are no new ones to fill the gap.

Little onshore exploration is in progress. Though several foreign companies are doing geophysical and seismic work, only one (Parker Drilling of the U.S.) is known to be working in a Chinese oilfield (Karamai in Xinjiang).

While the Chinese premier Zhao Ziyang has denied that China would become a net oil importer by 1990 as the World Bank predicted in its report on China last year, without a successful offshore industry the country could have a substantial shortfall.



Assault starts on untapped potential

China has long talked about its hydropower potential, but has not done all that much about harnessing the abundant water resources it has at its disposal for power generation. That now appears to be changing.

China recently announced that it plans a major hydropower development on the Hongshui River in Guangxi Province as part of an ambitious scheme to develop the Pearl River Basin in the energy-starved southern regions of China.

The project is just one of dozens the Chinese have on the drawing boards to utilise their hydropower resources, said to be the biggest in the world.

The U.S. Government through a $400,000 trade development programme (TDP) grant is helping to fund a feasibility study of the Hongshui scheme. This follows an examination of the Hongshui project by a group representing the U.S. army Corps of Engineers in late 1981 which recommended the construction of several power stations on the borders of Guangxi and Guangdong provinces.

At present, hydropower stations account for between 25 per cent and 30 per cent of China's total power generating capacity, but less than 10 per cent of Chinese hydropower potential is being utilised.

HYDRO POWER
TONY WALKER

China's economic planners appear to have decided to give special attention to hydropower development as a means of helping to overcome China's energy shortages, particularly in the country's southern regions.

A pointer to priority now being given to the development of hydropower was the consolidation earlier this year into one ministry of the two former ministries of power industry and water conservancy. This should give added weight to the hydropower sector which has been something of a poor relation by comparison with coal and oil.

Big injections of cash will be needed if China is to move ahead quickly in the development of its hydropower potential. The World Bank is considering helping to fund Chinese hydropower projects. Exim Bank funds may also be made available by the American Government to encourage Chinese purchases of U.S. technology. The Americans are the recognised world leaders in hydropower technology.

Age of the (steam) train

DATUNG LOCOMOTIVE FACTORY
ALAIN CASS

THE STEAM locomotive is alive and well and coming off the production line at well over one a week in Datung where thrives the only factory of its kind in the world.

At the heart of China's coal-bearing province of Shanxi the Datung Locomotive Factory is a delightful reminder that the age of steam and the age of the atom coexist happily in China and, in their different ways, are vital to economic progress.

The factory, once the object of a pilgrimage by the late French President George Pompidou, as well as countless other railway enthusiasts, has turned out 3,800 engines in its time. Its first, produced in 1959, is still shunting coal somewhere in China.

"They're made to last," said Mr Chi, one of the managers proudly. "China is still a developing country. We have plenty of coal, oil is expensive and our railway network is vast. So the steam engine will be here for some time."

The factory, which covers over 2.25m sq metres, employs 8,200 workers and is virtually self-sustaining. It has its own cinema, theatre, schools, bank, shops and hospital. It is festooned with the usual slogans exhorting the workers to even greater heights.

"We produce everything from the raw material to the finished product here," said Mr Chi. The factory produces one basic engine—known as the "Much Forward"—in two versions: one generating 3,500 hp and a smaller one with 2,200 hp. They are produced for the home market although last year Japan purchased a single engine. "We've no idea what they'll use it for," said Mr Chi.

The price: about £100,000 per engine—not very much more than the most expensive Rolls-Royce. Which seems entirely appropriate.

Environmental considerations delay project

Confident scientists aim for home grown reactor

NUCLEAR ENERGY
TONY WALKER

AT THE Institute of Nuclear Research, a nondescript collection of buildings set in rice fields on the outskirts of Shanghai, a small model of a nuclear reactor has been built. The model sits in a high-ceilinged room in the care of white-coated Chinese scientists who are obviously proud of their creation.

Outside the test centre, bushes have been clipped so that they resemble Chinese characters. They read: "Self reliance and hard work."

The words are appropriate because the Shanghai Institute of Nuclear Research, under China's Academy of Sciences, has been selected to perform the design work on China's first operating nuclear reactor, a 300 megawatt model to be built on the coast about 50 km from Shanghai.

The Chinese intend that as far as possible the experimental pressurised water reactor will be home grown, a demonstration that China is capable of developing its own nuclear power industry.

"We can solve all the problems on the technology side of the nuclear process," says Director Chen of the reactor division. "But at the same time we will consider some profitable help from overseas. Maybe some of our technology is not as good as that which is available from outside."

Discussions

Chen mentioned pipes to carry steam to the turbines and sections of the cooling system as possible areas in which the Chinese will need foreign assistance. As for the turbine itself, he said discussions were continuing about whether it would be better for the Chinese to build it themselves or to import.

Companies which have reportedly had discussions with the Chinese about supply components for the prototype project include Hitachi, Westinghouse, General Electric, Borg Warner and Kraftwerke Union of West Germany. The American Companies would presumably be precluded from supplying components unless Peking and Washington can reach a nuclear agreement to get round U.S. safeguards legislation.

Under present circumstances U.S. companies are not allowed to supply nuclear components to non-signatories of the Nuclear Non-Proliferation Treaty. China is not subject to inspections by the International Atomic Energy Agency.

China has made a firm decision to go ahead with the Shanghai prototype and has selected a site for the installation but contrary to reports in the Chinese Press which suggested work at the site had actually begun, the project according to Chen has not progressed beyond the design stage.

It is expected that work will start by 1985 and the prototype completed around 1990. Chen acknowledge that environmental considerations were delaying a start on the project.

"We should take some time to examine problems of pollution," he said, "not only from the point of view of our generation, but other generations as well."

Chen's remarks indicate that the Chinese are moving very cautiously towards the development of nuclear power industry, and that there may be a degree of opposition to the construction of reactors.

Nevertheless, the nuclear lobby in China appears powerful enough to get its way in the end. The Chinese are proud of their achievements in the atomic field and regard these achievements which began with a successful A-bomb test in the early 1960s as an important demonstration of their qualities of self-reliance.

Despite the weight of the nuclear lobby, which includes staff in research establishments, in the central ministry of of nuclear power and in the military, progress will be very slow indeed. It is difficult to see China making much use of nuclear power before the end of the century, despite the country's chronic energy shortages.

At time of writing, it appears that a proposal to build twin 900 MW reactors in Guandong Province, south China, is moving forward, but the deal is still far from being concluded.

China's state council has agreed in principle to the project and a site has been selected. However, many bridges have to be crossed before companies bidding to supply components for the project can be at all confident that it will come off.

China's economic planners will not agree to the project, they have made clear, until they are satisfied it can recoup from foreign exchange costs through the supply of electricity to Hong Kong under a proposed joint venture agreement between the Hong Kong Power Utility, China Light and Power and Guandong Province.

Massive reserves will sustain economic growth and may earn vital foreign exchange

A fuel with a bright future

COAL
ALAIN CASS

CHINA'S COAL industry is on the verge of a massive expansion aimed at arresting sliding production, improving the performance of uneconomic pits and opening new ones.

In addition major new infrastructural improvements are planned to overcome the central weakness of the system, namely that most of the country's reserves are located a long way from industrial centres and poorly serviced by inadequate and inefficient transport facilities.

The hope is that, when these improvements take place, not only will coal production be maximised to sustain economic growth within China but reserves may also be freed for export to earn vital foreign exchange.

In the next few years China plans to develop new mines all over the country stretching from the remote north-east through Sanxi and Inner Mongolia to the tropical south-west of the country. This will provide major opportunities for foreign contractors.

China plans to double its production of coal from the present 600m-odd tonnes to over 1.2bn tonnes by the end of the century.

China's estimated proven reserves stand at 658.4bn tonnes or 14 per cent of the world's total. Unofficial estimates put unproven recoverable reserves as high as 4,000bn tonnes.

Coal production has been declining for the past two years. It fell from 635m tonnes in 1979 to 617m tonnes last year. Unrealistic demands in the past for rapid production have led to over-utilisation of existing mines, disregard for safety standards and insufficient emphasis on new exploration, according to a report recently issued by the Energy Committee of the American Chamber of Commerce in Hong Kong which has closely monitored China's energy scene.

The report also points out that mining equipment production declined sharply in 1980 and again in 1981 although the first quarter of this year showed production holding steady.

Although the importance of coal in the energy balance sheet, according to the report, has slipped from 90 per cent in the 1950s to around 70 per cent in the past few years, this proportion is likely to be held steady as expansion plans go into effect.

Major expansion

China seems to have settled last year's intense debate on whether it should go for coal or nuclear development in favour of major expansion of the former and limited development of the latter. The idea seems to be that a co-ordinated development of nuclear, oil and hydropower resources should free some coal production for overseas markets in the 1990s.

The biggest of the proposed development schemes is the so-called south west project, a massive $6bn undertaking for the development of 29 new mines and upgrading of three existing ones in Guizhou province. Preliminary agreement with West Germany, France, Spain and Italy has been concluded.

In addition to the coal mines a power station, 500 miles of rail and port expansion at Zhanjiang is foreseen.

The Italian Government is providing a grant of $35m, low interest credit of $6m and export credit of $500m.

This followed the signing of a $230m agreement with Occidental Petroleum of the U.S. to develop large coal deposits at the Pingshuo open-cast mine in Shanxi province where some 25 per cent of China's estimated coal reserves are located. The mine is thought to have up to 1.4bn tonnes of reserves.

Other developments include four new open-cast mines in the north east. Three, at Huolinhe, Yilinhe and Zhunge are to be developed in two stages to a total new annual capacity of 80m tonnes and fourth, Yuanbaoshan, in one stage to 8m tonnes.

Two of these projects will include railways and power stations. Three will produce coal for power plants in north east China while the fourth will be mainly aimed at the export market.

Foreign technology

A major question mark still hangs over just how China proposes to pay for all this needed development.

Mr Kong Xun, President of China's National Coal Development Corporation, says that payment for foreign technology will not necessarily be made only in coal. China, he says, would be willing to pay cash in some cases.

In the main, however, Chinese resistance to building up its foreign debt, reinforced by the Polish experience, is likely to mean that financing arrangements will revolve around joint equity ventures and compensation trade.

In the long run China may pose a direct threat to Australia's dominance of the Japanese steaming coal market. Japan imported 12m tonnes of steaming coal last year, 5m tonnes of which came from Australia.

Japan's needs for steaming coal are expected to rise to 28m tonnes by 1985 and China would hope to capture a sizeable chunk of that market as relations between the two countries improve.

Coal is to China what oil has been to the industrialised West: a lifeblood without which modernisation would be impossible. However, much of the equipment in the industry is out of date. In particular transport facilities need to be drastically improved, as this picture of a mine in Datong, Sharxi Province demonstrates. The Government's present plans go some way towards doing this

China observed: photographer Hugh Routledge focuses on a cycling nation. The Chinese use their bikes to travel to and from work, for taking the weight, and, sometimes, even for romance

Watching the door slowly open

China observed: Tony Walker reflects on three years as the FT's Peking correspondent

NOVEMBER 1979 produced one of the coldest starts to a Peking winter on record. Temperatures, when I arrived in the Chinese capital to take up my assignment in mid-November were 15-20 degrees below zero. The freeze, appropriately enough, was caused by cold winds from Siberia in the Soviet far east.

The political climate in Peking had also chilled. Wei Jingsheng, the prominent Chinese dissident, had recently been sentenced to 15 years imprisonment on charges of passing "military secrets" to a foreigner and of conducting "counter-revolutionary propaganda and activity."

The Peking spring of late 1978 and early 1979 when Democracy Wall had flourished as the focus of dissident activity had given way to a winter of disappointment for young Chinese. Political activists were arrested and the wall was closed down.

The system has decided that criticism of prominent figures in the leadership carried in posters stuck on a wall outside a grimy bus depot on Peking's main thoroughfare had gone far enough. The actions of a small group of idealistic Chinese were proving an embarrassment to moderate figures like Deng Xiaoping, the Chinese leader, who had encouraged free expression at the wall as a means of damaging political opponents.

The flickering dissident movement of 1978 and 1979 espousing, as it did, a democratic alternative to Communism proved to be an aberration. In China, the practice of politics is for an elite few Communist Party members.

In Peking of the late 1970s the abnormal was normal. Shadowy figures from the past who had not been seen for years suddenly reappeared. Those that had been prominent during the cultural revolution disappeared from view.

It was as if a new cast was being assembled for a traditional Peking opera, a form of entertainment that had been banned. Deng himself, exhibiting some of the characteristics of the "Monkey King," a mythological Chinese figure of supernatural powers celebrated in Peking opera, orchestrated the changes.

Deng has consistently performed feats of political daring since the third plenary session of the 11th Chinese Communist Party central committee in late 1978, the year after his rehabilitation. The question for reporters in China over the past three years has been: can it last? So far it has.

The story of Chinese politics since 1978 has been that of Deng's ability to get more or less what he wanted. The story of the mid to late 1980s will be whether the house that Deng has built will withstand the political buffeting it will receive once he is out of the way.

Casualties

Deng began his public assault on opponents on the left in December 1978 at the third plenum. It is a process that continues. Along the way there have been numerous casualties.

In February 1980, Deng engineered the removal from the Politburo members of the "whateverist" faction—those who subscribed to the view that whatever Mao said and did was right. Entwined in this process was the Gang of Four trial which took place late in 1980.

The trial was more than a criminal action against those who had allegedly caused a great deal of suffering during the cultural revolution of 1966-1976. It was, in essence, an attempt by the Dengists to give legal form to their vendetta against those who had been their persecutors. The victors were sitting in judgment on the vanquished as was the case at Nuremberg.

For the reporter this was not an easy event to explain. The Gang of Four trial was, in a sense, as much an exercise in Chinese theatre as it was a judicial event. The four were denounced in court by witnesses who would perhaps have been more appropriately dressed had they worn opera masks, before a nation-wide audience as a means of satisfying in part the desire for revenge of the many who had suffered.

It was a peculiarly Chinese exercise which threatened at times to descend into farce. The trial was also a diversion from a power struggle that was taking place in the last months of 1980 which resulted in the ousting of Hua from the chairmanship.

This was a murky period for reporters in China. Hua had gone but arguments continued over who should replace him—Deng himself or one of his protégés or a more neutral figure. In the end Deng won as he has done consistently since 1978.

A question frequently asked of resident reporters is: will the experiment work—does the Communist Party have the stamina and cohesion to carry through the reforms that have been instituted? The answer is . . . maybe.

There have been significant changes in attitude on the part of Chinese officials since 1979, and things are now possible that were not possible then. China, in many ways, is a very different place. The impact of regular contact with the outside world is having its effect.

Businessmen claim that things are becoming easier, that Chinese officials are displaying a greater degree of flexibility and that more is possible now. For the long-term resident changes are more difficult to assess.

At the level of personal contact with individual non-official Chinese, things are now more difficult than they were in 1979 at the tail-end of the Democracy Wall movement.

But more tourists are visiting, more business is being done, judging by the trade figures, more Chinese students are being allowed to study overseas and so on. In short more, not less, contact is taking place.

Can the system change, as some have suggested it can, to the point where a Chinese version of "enterprise" Socialism has evolved? In short can the Chinese break away from the Soviet model and allow more individual enterprise.

Experiments

There are undoubtedly those in the leadership who would like to encourage more experimentation, but again the system militates against things moving too far too fast. There are still those at the top unhappy about what they see as some of the negative effects of China's open-door policy, particularly what are described as 'corrosive foreign influences' on restless young Chinese.

China's new rulers have, off and on in the past few years, tried to define a new, more contemporary ideology, but there is no sign that the leadership has been able to do much more than re-arrange the standard cliches.

Who listens any more? Recently I visited a central government ministry where members of staff were seated on chairs and benches in the hallways listening to a reading of documents from the recent 12th Party congress. There was a look of complete boredom on the faces of almost all members of staff, young and old.

Many Chinese are sceptical about whether the reforms now being instituted will work and are worried that some day soon the pendulum will swing back again to more doctrinaire policies. Not only is there a lack of confidence in the party, there is lack of confidence in the future.

China's biggest enemy is inertia. Inertia in attitude and inertia in the system itself. China does not have an abundant supply of Monkey Kings to push the country ahead. The present Monkey King is not getting any younger, nor is he infallible.

The thirst for knowledge of the outside world

China observed: Alain Cass reports on an increasingly inquisitive nation

THREE decades of communism, purges and political turmoil have hardly helped to make the ordinary Chinese more communicative with foreigners. It has, however, increased his thirst for knowledge of the outside world and, in particular, what life is like in the West.

Take a stroll in any of China's major cities, Shanghai in particular, and the odds are you will be approached by a smiling, if slightly nervous, Chinese with the inevitable opening line: "Where do you come from?"

American or British visitors are eagerly pounced on by Chinese anxious to practice their English which, as often as not, has been learned off the BBC World Service or, more rarely, Voice of America broadcasts.

The recent clampdown by authorities on individual freedom and contact with outsiders has invested these rare and, for the foreigner groping for insights into ordinary life, vital contacts with a slightly conspiratorial air.

Marriage

Like the occasion in Shanghai when a young man, who had been following me at a safe distance for several blocks in the city centre (to make sure, presumably, that he was not being followed) finally plucked up the courage to approach me.

Jostling in the queue at a dumpling stall in the boisterous back-streets off Nanjing Road, the main thoroughfare, he talked breathlessly about the struggle to make ends meet, his hopes of getting married, the problems of getting a job, even the communist party

He was a 25-year-old post-graduate in computers. He lived in a kind of dormitory, shared with six others, dated a regular girlfriend and hoped to marry soon. When, I asked?

"Maybe three years," he replied. "When I have saved up enough. Getting married is expensive, you know. The girl wants new furniture, a radio, TV, a washing machine, a new bed, so many things. You have to save up for seven or eight years to have enough."

The cost: anything from £300-£700, a huge fortune for a Chinese earning perhaps £20 a month.

How long had he known his girlfriend? Four years, he said. Had they ever thought of just living together? "No, that would be impossible. Our families, even our neighbourhood would cut us off, overnight. We would have no job, nothing.

"Here in China we do not have sex before marriage. Not like in the West. For you," he laughed, "having sex is like shaking hands."

He wanted to write to me in London and asked whether I would send him some books. "Not on computers, but literature, preferably modern. Novels that kind of thing."

What was his ambition? "To have a job of my choosing. We still have much unemployment and the party officials decide what job you get. Only if you know someone, if your father is highly placed and he can get you through the back door can you pick and choose."

The "back door"—*guanxi*—is how most things are done in China, he said. It is who you know and whether he owes you any favours.

And the party, the government? "Oh, that's just talk. How can you believe anything they say? One year it's this, another it's that. Worst of all they kill initiative. You're not supposed to think for yourself."

"But surely Deng is trying to change all that?"

"Maybe," said the student. "We'll see."

The same scepticism about how things would turn out on the political front was displayed by a scientist I met in one of Peking's parks.

His greatest ambition was to get abroad because he felt he had reached his ceiling at his present institute. "We must have more contact with foreign ideas. We will never make any real progress unless we do that. But I fear things will get tighter. Already it is getting more difficult to go abroad because of one or two recent defections."

As we spoke passers-by gazed curiously.

For Chinese who do not have an official reason for doing so being seen talking to a foreigner can spell trouble. The few places where Chinese and foreigners were allowed to mingle after the "spring" of 1978 have been closed down.

The paradox is that, while the policies of liberal economic reform and the import of foreign technology, is being pursued at one level, individual freedom is being curtailed at another. This underlines the leadership's fundamental dilemma in deciding how far to go in its efforts to promote initiative and hence economic progress.